Attachment 3a

Principles for Responsible Investment

PRI

5 YEARS OF PRI

Report on Progress 2011

An analysis of signatory progress and guidance on implementation

UNEP Finance Initiative
Innovative financing for sustainability

United Nations Global Compact

The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact

Contents

Welcome message from the Executive Director

Welcome to the PRI Report on Progress 2011.

This report captures the aggregated results of the PRI's annual survey. It explains how hundreds of investors across the world managing close to US$ 30 trillion are implementing the six Principles. It also presents the latest global trends emerging around responsible investment. In addition, a centrefold section takes a retrospective look at signatories' progress since 2006.

The evidence shows that the tanker is turning. While mainstream capital markets still have a long way to go before they become truly sustainable, we can reflect on the fact that new mainstream practices around responsible investment have clearly emerged in the last half-decade.

This year's results again show steady progress. In past reports we have seen responsible investment practices become more extensive in asset classes such as equities and private equity. It is encouraging to note that this year the property asset class has shown real evolution, with an increase in the number of signatories that have RI processes in place for non-listed real estate investments from 28% to 36%. This year also saw large increases in the number of Asian and African signatories participating in responsible investment activities.

These represent positive steps, but there is still a long way to go. Asset classes such as fixed income show relatively low levels of ESG integration (though there is strong interest in our recently launched fixed income work stream). Much more can also be done to embed ESG criteria in the investment chain between asset owners, managers and other service providers. And responsible investment still needs to grow considerably in a number of key markets.

We are also working to significantly upgrade the PRI Reporting and Assessment process. We recognise that this exercise is very challenging for many signatories. Surveying and analysing responsible investment performance across hundreds of diverse organisations and the full range of asset classes and strategies has become increasingly complex. We have therefore embarked upon the development of a comprehensive new reporting framework that addresses the full range and diversity of investor organisations while remaining manageable for signatories to complete. The new framework will be piloted in 2012 and launched in 2013.

We are grateful, as always, to those that have spent a great deal of time participating in this year's survey. Our thanks also go to the Reporting and Assessment team, the verification team and to the Assessment Working Group which has spent countless hours overseeing the process for the last five years.

Dr James Gifford
Executive Director,
PRI

Introduction

What is the Report on Progress?

This report summarises the responsible investment activities of PRI signatories as reported in the annual PRI survey. The survey is completed by PRI asset owner (AO) and investment manager (IM) signatories only, and not by professional service partner signatories.

In the following chapters the activities are described in more detail. The report has the same structure as the PRI survey itself. The first chapter addresses governance, policy and strategy (GPS) and the subsequent chapters report activities on Principle 1 through to Principle 6. Throughout these chapters findings are presented both in graphs and in the text. These are accompanied by case studies to showcase some of the stories behind the figures.

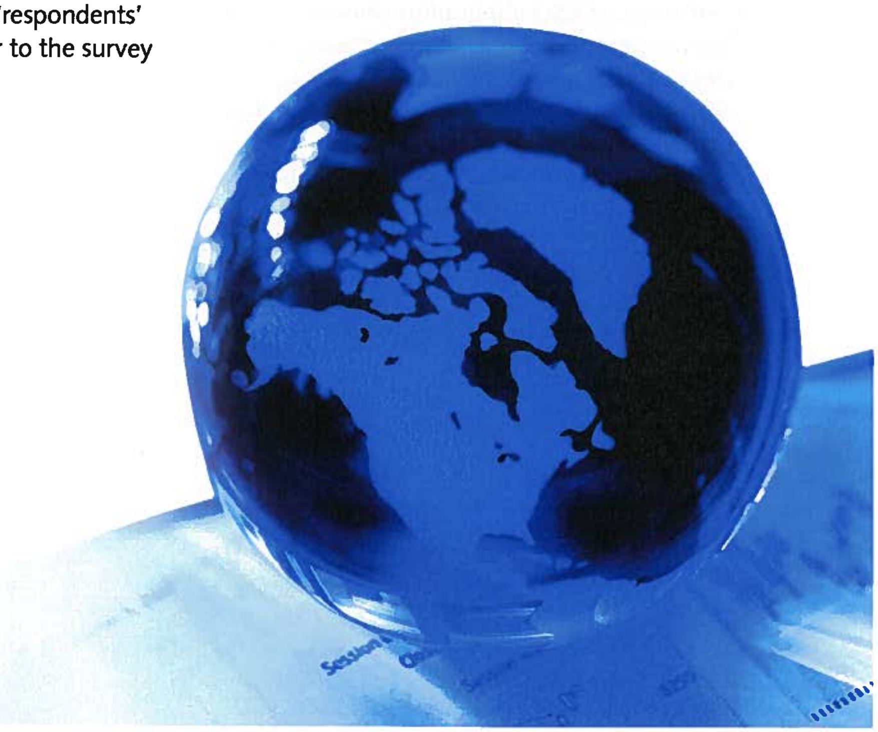
The key findings section at the front of this document offers a summary of the results this year.

In many cases changes from previous years are identified and highlighted. However, analysis of the degree of change is affected by a relatively large number of signatories completing the survey for the first time this year. For this reason, at times we also look at a set of the same signatories that completed the survey for both years. There we can see the progress signatories have made while being part of the PRI.

A unique addition for this year is a centrefold that highlights the developments of PRI signatories since the PRI was launched five years ago.

More information about the respondents to the survey can be found in the last chapter of this report. Appendix I explains the Reporting and Assessment process further.

Please note that the terms 'signatories', 'investors' and 'respondents' are used interchangeably throughout this report to refer to the survey respondents, unless otherwise stated.



Key findings for 2011

Governance, policy and strategy

- In total, **94%** of AOs and **93%** of IMs have a responsible investment (RI) policy. This was 94% and 87% respectively last year.
- The percentage of signatories with an RI policy rose from 84% to **96%** in Latin America (mainly Brazil) and from 71% to **81%** in Asia.
- Almost half of signatories have extensive RI processes in place for investments in developed market listed equities.
- The percentage of signatories with RI processes established for non-listed real estate investments rose from 28% to **36%** since last year.
- The percentage of signatories with CEO-level responsibility for RI rose from 79% to **82%**.
- Around **70%** of CEOs, CIOs and board members with responsibility for ESG processes had received RI training.
- Among staff who have some responsibility for RI, but not including *specialist* RI staff, **53%** of IM staff and **33%** of AO staff received incentives for ESG performance.

Principle 1 (ESG incorporation)

- In total, **79%** of AOs and **95%** of IMs apply some level of ESG integration into internally managed (active) investments in developed market listed equities.
- Of those signatories that undertake ESG integration in their internally active assets, **80%** reported that ESG research is used to a large or moderate extent.
- **Over half** of AOs' externally managed funds are subject to ESG integration. In total, **40%** of the external assets of PRI AOs are managed by PRI IMs.
- A growing proportion of signatories apply ESG integration to (internally managed) investments in non-listed asset classes. This includes a rise from 69% to **84%** among IMs integrating ESG into private equity investments, and a rise from 38% to **50%** in the number of AO sovereign fixed income assets subject to ESG integration.
- Among AOs that have some of their externally managed funds subject to integration, **one third** apply a broad range of RI criteria to their contracts with external investment managers.
- Among those signatories that do have detailed agreements in place with managers to address ESG issues, levels of monitoring are limited. Only **one in four** (24%) of these signatories monitor their external managers to a large extent on their performance on ESG issues, while **9%** do not monitor at all.
- The number of passive investors that requested that their investments be managed relative to indexes constructed using relevant ESG issues has risen from 19% to **25%** this year.
- In total, **43%** of all signatories have ESG-themed funds. Around a third of this group **(30%)** hold cleantech.
- An analysis comparing the internal active assets of PRI signatories with the wider global market found that around **7%** of all global capital is now subject to ESG integration (by PRI signatories), up from 6% in 2010 and 4% in 2008.

Principle 2 (Active ownership)

- **88%** of signatories vote at company meetings. Of these, on average, **93%** of possible ballots are cast.
- The percentage of voting policies addressing environmental issues remained constant from last year among all respondents, but increased from 82% to **85%** among signatories that have completed the survey for two consecutive years.
- **Nearly 80%** of AOs inform companies of their rationale when voting against management, an increase from 69% last year.
- **37%** of AOs check that voting decisions are cast in accordance with their voting policy, up from 29% last year.
- There is a growing role for specialist engagement service providers. They have carried out **37%** of total engagements by signatories, up from 15% last year.
- The number of extensive shareholder engagements by signatories (i.e those engagements involving multiple interactions at high levels within companies) rose in the US, Australia and France, but dropped in Brazil and the UK.
- **75%** of signatories that use internal staff for engagements now assess and monitor the ESG engagement competency of their staff, up from 67% last year.
- **50%** of signatories that hold infrastructure, private equity and non-listed real estate now have an active ownership policy on ESG issues applying to these holdings.

Principle 3 (Investee disclosure)

- **71%** of signatories asked companies to integrate ESG information into their financial reporting, an increase from 67% last year.
- Almost **45%** of signatories asked investee companies to use the Global Reporting Initiative (GRI) as a reporting framework, up from 39% last year.
- The percentage of signatories that requested ESG information from companies through tailored surveys increased from 27% to **34%**.
- The number of AOs asking IMs to implement Principle 3 on their behalf rose from 55% to **61%**.
- Among infrastructure investors that have completed the survey in two consecutive years **62%** now lodge significant requests for ESG data.

Principle 4 (Raising awareness)

- The number of signatories promoting responsible investment to a large or moderate extent rose from 35% to **58%** in Asia, and from 56% to **70%** in Africa.
- When searching for external IMs over three-quarters **(77%)** of AOs look for ESG capacity, **67%** include ESG criteria in management contracts; **17%** incentivise performance based on these criteria.
- Almost a third **(30%)** of AOs incentivise research providers based on ESG criteria.
- **28%** of signatories participate extensively in RI-related public policy dialogues or initiatives, up from 23% last year.

Principle 5 (Collaboration)

- In total, **90%** of signatories collaborated with other investors on RI-related topics, the same as last year; **35%** took a leadership role in collaborations.
- **A quarter** of IMs engaged collaboratively on corporate disclosure of ESG issues.
- Over **60%** of signatories reported using the PRI Clearinghouse this year.
- **More than 250** signatories have also signed up to the Carbon Disclosure Project – nearly half of all respondents.

Principle 6 (Investor reporting)

- In total, **44%** of signatories published their full survey responses online, up from **40%** last year and 25% in 2009. In Sweden **79%** and in Brazil **56%** of signatories disclosed their responses.
- In total, **93%** of signatories disclose their approach to ESG integration to some extent, **42%** disclose it to a large extent.
- **61%** of IMs now publicly disclose their voting policies, up from 55% last year. Over half **(55%)** of AOs disclose their voting policies, which is no change from last year. Just less than half **(48%)** of signatories disclose their rationale for voting to some extent, up from 44% last year.
- **Three-quarters** of signatories disclose their engagement activities to some extent, up from 71% last year.

About the respondents

- The survey covered 539 respondents this year, managing assets of US$ 29.6 trillion.
- IMs represent **64%** of total responses and AOs **36%**, which is representative of the PRI signatory base as a whole.
- A majority of responses came from Australia, France, Netherlands, UK and US, which is broadly reflective of the PRI signatory base as a whole. The most prominent growth came from France and Finland whose representation grew by **84%** and **125%** respectively.
- The amount of assets managed passively grew by over **50%** from approximately US$ 4 trillion to US$ 6 trillion. Passively managed funds now represent 20% of the total asset mix.

Governance, policy and strategy

Introduction

This chapter explores the policies, frameworks and related processes that signatories have put in place to manage responsible investment (RI) in their organisations. The findings explore the extent to which RI policies have been adopted, how those policies translate into practice across various asset classes and the human resources being applied.

RI policies become globally established

It is evident that a vast majority of signatories have now adopted policies relating to responsible investment. In total 94% of respondents have an RI policy in place. The number of asset owners with a policy has remained the same (94%) as last year and the number of investment managers with a policy has increased from 87% to 93% this year.

The regions with clear growth in this area are Latin America and Asia. In Latin America the number of respondents with an RI policy increased from 84% to 96% this year. In Asia, the percentage increased from 71% to 81%.

> For an overview of different policies please refer to Table 5 (under Principle 6), which provides some of the publicly disclosed policies of signatories.

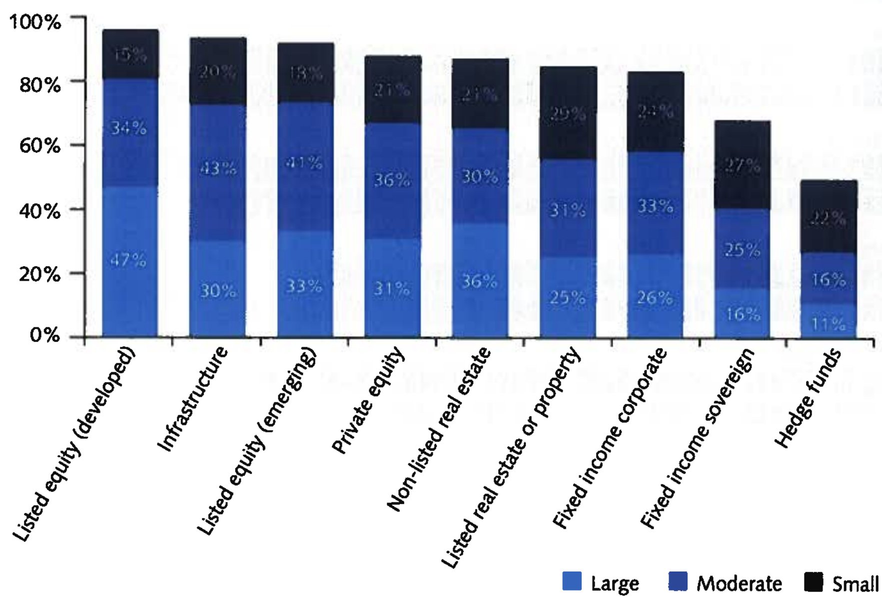
Turning commitments into action

Having a policy is necessary but not sufficient. To translate the policy into practice, organisations also need to put in place RI processes such as internal research and analysis teams or RI management committees.

Almost half (47%) of signatories said they had put RI processes in place to a large extent in relation to listed equities in developed markets, a similar figure to last year. For other asset classes, the percentage of investors with more advanced RI processes in place varies: for example, around 36% for non-listed real estate and 16% for sovereign fixed income (see Figure 1).

The asset class with the most notable improvement in this area is non-listed real estate. The number of signatories investing in this asset class that have put RI processes in place to a large extent increased from 28% to 36% in 2011.

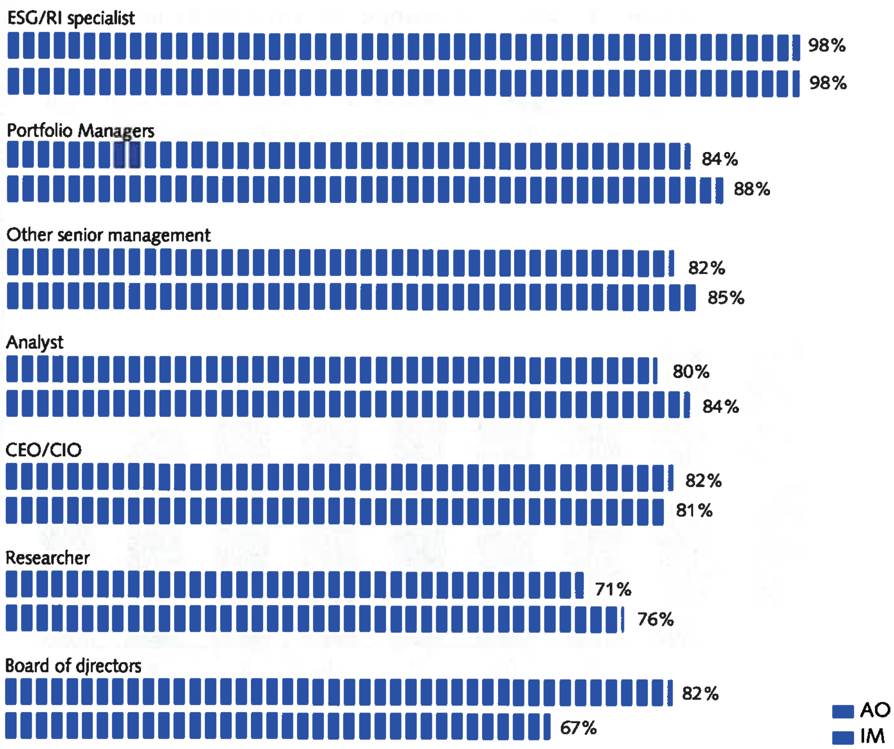
Figure 1:
Signatories that have an RI process in place, by asset class and extent (%)



Who takes responsibility for responsibility?

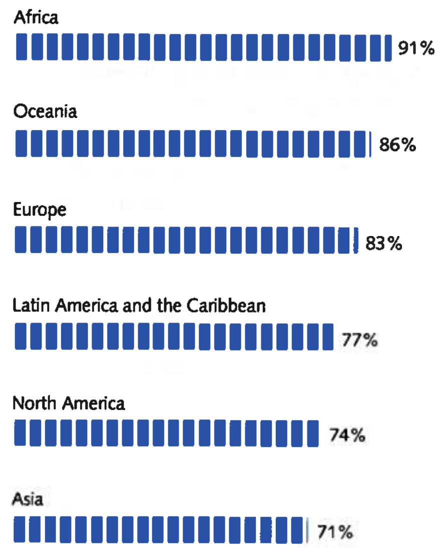
In more than 80% of cases RI/ESG specialists, portfolio managers, other senior management, CEO/CIO and analysts are assigned specific ESG responsibility (see Figure 2).

Figure 2:
Staff members with ESG responsibilities (AOs and IMs)



The number of signatories assigning responsibility for ESG issues to the CEO or CIO has grown slightly from 79% last year to 82% this year. Looking at the regional breakdown (Figure 3), Africa and Oceania are the regions most likely to assign ESG responsibilities to the CEO or CIO level, although it is important to note that the sample size for the African region (23 respondents) is smaller than others.

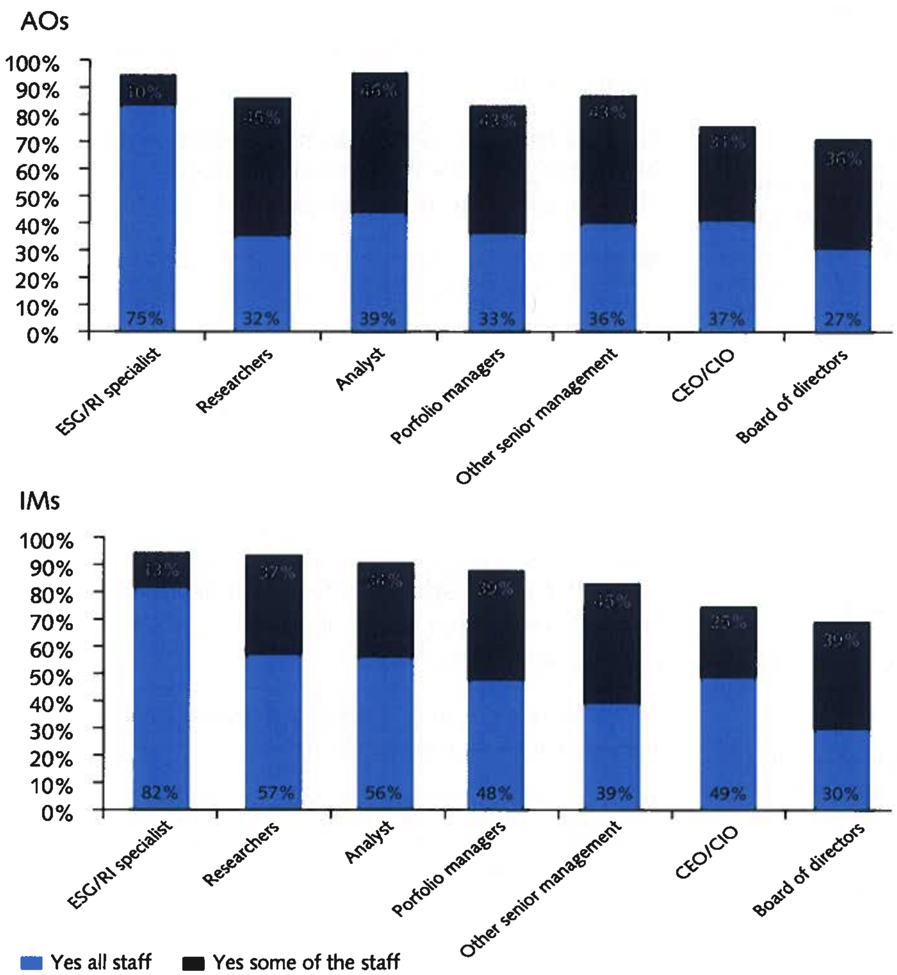
Figure 3:
Signatories assigning ESG responsibility to CEO/CIO, by region



Room for more RI training and incentives

The survey found that around 70% of CEOs, CIOs and board members with responsibility for ESG factors had received RI training. Levels of RI training are around 80% among other roles including senior managers, portfolio managers, analysts and RI/ESG specialists. In general, IMs were shown to have higher levels of training than AOs (see Figure 4).

Figure 4:
Levels of internal RI training (AOs and IMs)



When the survey looked at whether staff are incentivised to perform against responsible investment targets, the results were mixed. If RI specialists are excluded, 53% of IM staff (roles same as listed above) and 33% of AO staff receive incentives for ESG performance. Against this, however, it was notable that there was a significant improvement in the proportion of AO portfolio managers who received these incentives, rising from 24% to 35% this year. In general, IMs performed better on incentives than AOs, even in relation to staff at the highest level (CEOs, CIOs and board members).

Principle 1:

We will incorporate ESG issues into investment analysis and decision-making processes

This Principle encourages signatories to integrate the consideration of ESG issues into their research, analysis, portfolio construction and other core investment practices.

Introduction

There are many different ways in which signatories interpret Principle 1. Some of the many interpretations include applying negative (or positive) screens based on ESG issues, taking a best-in-class approach based on ESG analysis or focusing on ESG themes such as cleantech. The PRI survey focuses on ESG integration as defined below. This report looks at the extent to which signatories are integrating ESG considerations across asset classes and across both internally and externally managed funds. It also considers how the scale of ESG integration by signatories applies to the wider global market.

The majority of this chapter deals with actively managed funds. Therefore unless otherwise stated readers should assume throughout that the text refers to actively managed assets only.

ESG integration

ESG integration, as addressed in this section of the report, relates to the consideration of ESG issues alongside traditional financial measures, based on the belief that ESG issues can affect the performance (risk and/or return) of investment portfolios (to varying degrees across companies, sectors, regions, and asset classes and through time).

Integration is considered to be:

- ESG analysis within individual investment decisions based on the belief that such analysis can materially affect the investment's financial performance; and/or
- screening based on the belief that exclusion or inclusion of certain investments in the investable universe can materially affect the portfolio's financial performance.

ESG integration for internally managed assets becomes the norm for signatories

Internally managed assets represent 95% of AUM for IMs and 60% for AOs[1] and therefore cover a large proportion of total assets.

In recent years, most signatories have undertaken some level of ESG integration for their internally managed listed equities. This year's findings for IMs indicate that:

- 95% and 87% integrate ESG issues to some extent in developed listed equities and in emerging market listed equities respectively;
- 89% integrate to some extent in listed real estate.

On average, these IMs applied ESG integration techniques to 80% of their listed equities AUM. It is worth noting that individual organisations varied greatly, with some applying integration across 100% of their portfolio and some across just 1%. Those organisations reporting a small percentage were often those with one or two dedicated funds or one unit or team that has taken a lead on ESG integration within a much larger firm.

The percentage of AOs integrating in their internally managed listed equities was lower:

- 79% and 58% integrate to some extent in developed listed equities and in emerging market listed equities respectively;
- 67% integrate to some extent in listed real estate.

As with IMs, the survey found that on average AOs that integrate do so to approximately 80% of their listed equities AUM.

1. For more detail see the 'About the respondents' section at the end of this report.

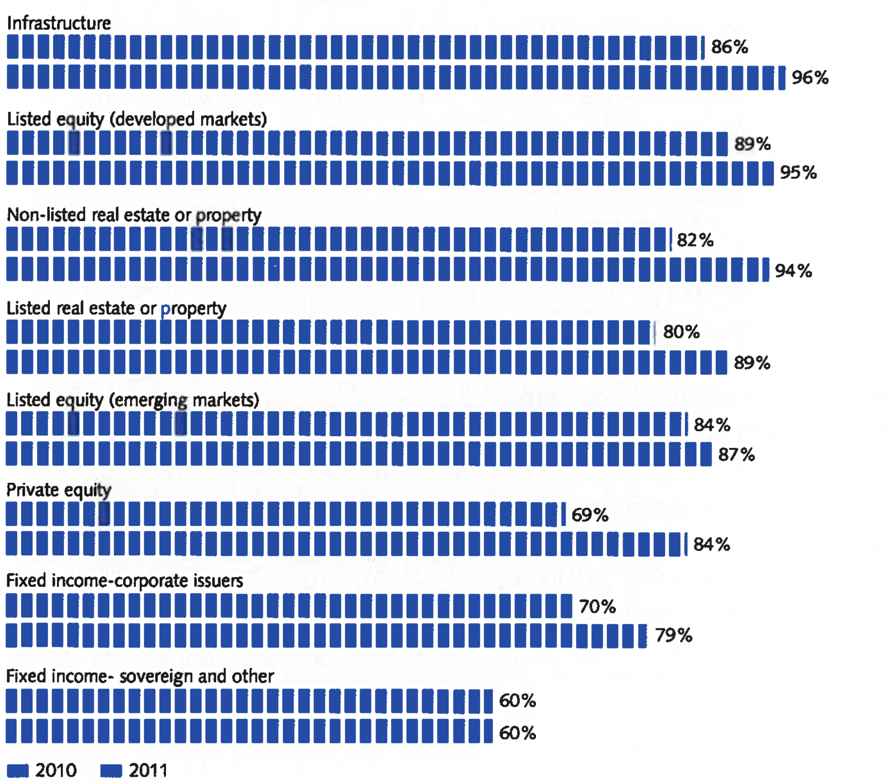
Increasing integration in other asset classes and investment styles

A growing proportion of signatories apply ESG integration to investments in non-listed asset classes.

Figure 5 shows that an increasing number of IMs are integrating ESG to some extent in private equity, non-listed real estate and infrastructure. There are also signs that investors are applying ESG integration techniques to different listed equities investment styles as highlighted by the case study on quantitative analysis from Acadian Asset Management.

Figure 5:

Percentage of IMs applying ESG integration to some extent by asset class (internally managed, active funds only)[2]



2. Due to misinterpretations by hedge funds investors – captured during this year verification calls – hedge funds investors are not included in this graph.

Principles in action
Using governance research in quantitative analysis

US-based Acadian Asset Management takes the view that markets are inefficient, so the best way to find investment opportunities is to invest systematically in companies with strong fundamentals. It argues that attractive companies not only exhibit strong balance sheet health and good growth prospects, but are also well governed. Acadian also takes the view that behavioural issues, such as bounded rationality, prevent most investors from buying and selling at the optimal time. To overcome this, Acadian uses an objective and systematized approach to investing.

Acadian analysts identify metrics that capture a company's core operations. These metrics may pertain to value, growth, governance, or a myriad of other fundamental characteristics. The metrics must be based on first principles, and they must also pass a series of backtests to ensure that the efficacy is consistent and meaningful. One of the factors is a bottom-up governance metric based on the premise that companies that engage in aggressive accounting are likely to be hiding negative news and hence are likely to underperform. Acadian's backtests also show that conservative accounting practices are a significant driver of stock returns.

After research on a metric is complete, the "factor" is integrated into Acadian's investment framework.

In this framework, a single stock forecast model is applied to every company, regardless of industry or region, although at differing weights; this means that all companies are evaluated on governance characteristics, providing the data exist. Computerized systems update and recalculate the factor values up to three times a day to ensure the most up-to-date data possible. Portfolios are then constructed based on these forecasts and any client-specific mandate restrictions. Portfolio construction experts then use these forecasts to construct "optimal portfolios". Acadian's portfolio managers include specialists in each factor, and they review every trade list to ensure that the companies being bought are of high quality, well-governed and with good growth potential.

Although no single example can prove the general effectiveness of Acadian's approach, the investment in DDi Corp, a leading provider of printed circuit board engineering and manufacturing services, offers an illustration of Acadian's method. Acadian started buying DDi Corp stock in March 2010 for several reasons.

The outlook for the company was improving as the CEO announced record sales, margins and earnings, and momentum and value characteristics indicated that there was still considerable room for the price to increase beyond its already 22% gain for the year; in addition, management's own share purchases as well as their conservative accounting practices provided the additional conviction to implement the "buy" decision. By quarter-end, the stock rose approximately 40% higher, while the Russell 2000, the index which includes the stock, fell by 6%.

Principles in action
ESG integration for real estate

UK-based property investor PRUPIM uses its FAIRVAL system to assess the 'fair value' of properties it holds or might buy. By considering the rate of return on risk-free assets, the premium rate needed to compensate for perceived risks, and the income growth these properties are expected to deliver, it estimates the 'worth' of investment properties.

Many factors affect property returns; most commonly land use type, location, tenant quality, and the length and nature of the lease. Sustainability is also emerging as a factor influencing property values and investment performance, with many believing that 'brown' properties are more risky and will obsolesce faster than their 'green' counterparts.

Clearly, property fund managers and investors have a fiduciary duty to understand the impacts of sustainability on value and performance. To this end, PRUPIM has introduced a 'sustainability screen' into the FAIRVAL system, consisting of a series of questions about sustainability credentials related to those features most likely to impact asset value and performance in the medium term. Among other things, they ask about building labels; energy, water and waste management systems, and on-site energy generation and water harvesting. Because of the need to apply this screen to every potential or held asset, practicality is paramount. As such, the screen comprises a 'click through' table of 11 simple questions.

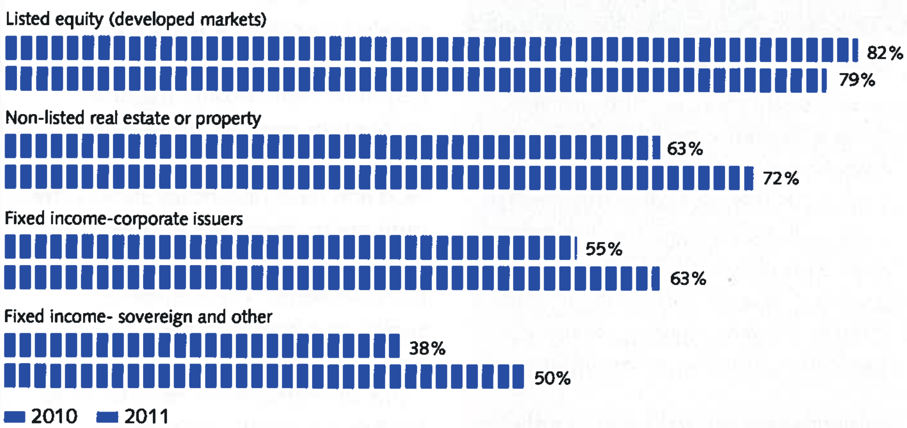
Each answer is accorded a specific score relevant to that land use type. Once completed, a simple algorithm calculates an aggregated score for the asset. FAIRVAL compares this against a pre-calibrated scale of potential scores for an asset of that type and accords a descriptor on a five-point scale from 'Very Well Future-Proofed' to 'Very Poorly Future-Proofed'.

While there is not yet enough data to relate these scores directly to monetary value, they are always given high visibility alongside the financial outputs of the FAIRVAL model, so that PRUPIM's investment professionals are able to use the information when considering 'buy/hold' decisions. By demanding such data from market brokers, the potential for meaningful empirical evidence is being improved.

Also among AOs, the proportion of signatories that integrate ESG in their internally managed funds in asset classes other than listed equities has grown (see Figure 6). Sovereign and corporate fixed income together account for more than half of the internal actively managed assets for AOs and have historically shown little progress on levels of ESG integration, but this year showed encouraging improvements. The number of signatories integrating ESG to some extent for their fixed income sovereign AUM increased from 38% to 50%, for fixed income corporate this increase was from 55% to 63%. These signatories integrating in fixed income also do so for a larger part of their AUM: 75% for sovereign, up from 61% in 2010; and 85% for corporate, up from 69% in 2010. More PRI signatories integrating a larger part of their fixed income assets results in a rise of the total of sovereign fixed income assets subject to ESG integration by PRI AOs from 24% to 45% this year.

> More information on the new PRI fixed income work stream is available online for signatories.

Figure 6:
Percentage of AOs applying ESG integration by asset class[3] (internally managed, active funds only)



Principles in action
Applying the ESG integration processes learnt in equities to fixed income investments

French investment manager Fédéris Gestion d'Actifs launched its first SRI fund in June 2000 named **Fédéris ISR Euro**. The fund invests in equities from the Eurozone and several years after launch it was decided that ESG considerations should be integrated into the investment process for all Fédéris Gestion d'Actifs internally managed European equities. Of all the financial criteria used in Fédéris Gestion d'Actifs investment decision-making, ESG scores now represent 20% of the assessment process when it comes to European listed equities. On top of this, around 10% of Fédéris Gestion d'Actifs assets in equities are invested in SRI best-in-class funds.

To extend this sustainable and responsible investment policy to other asset classes a new fund, **Fédéris Obligations ISR**, was created in June 2008. This fund invests in sovereign bonds from the 17 states of the Eurozone, using Ethifinance research to compute scores with a best-in-class approach.

In the **Fédéris Obligations ISR** fund, environmental, social and governance considerations are all taken into account. Criteria such as deforestation, energy mix, carbon intensity, water pollution, and SO2 and NOx emissions are used to determine the 'Environment' score; government efficiency and corruption perceptions indices for 'Governance'; and public spending, life expectancy, women's political participation and poverty indices for the 'Social' score. For the **Fédéris Obligations ISR** fund as a whole, 'Environment' represents 70% of the final score, 'Social development' 20% and 'Governance' 10%.

Environmental criteria weigh most heavily because Fédéris Gestion d'Actifs believes that the environmental field is the one in which the Eurozone states diverge most sharply.

This year, Fédéris Gestion d'Actifs will launch a new SRI fund investing in corporate bonds in order to widen the scope of its sustainable and responsible investment.

Use of ESG research in portfolio construction remains strong

To get a better understanding of the depth of the above-reported percentages of ESG integration, the survey asks the extent to which signatories research ESG information and how much they eventually use the outcome of this research in their portfolio construction and management.

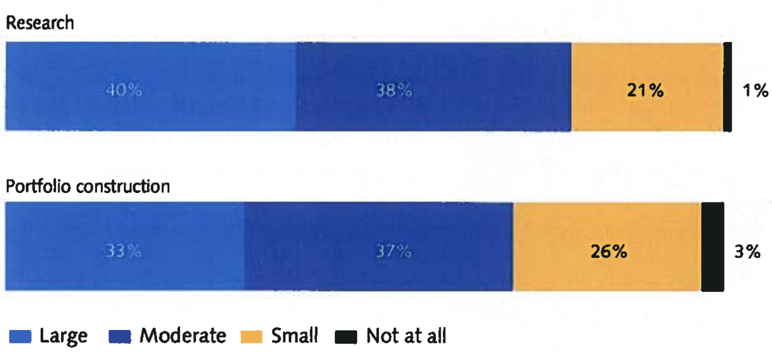
Approximately 80% of signatories that integrate ESG issues undertake ESG research to a large or moderate extent for their internally managed funds. This means that they gather and analyse information across a range of ESG issues for a significant part, or all, of their investment universe. The information is updated regularly or research updates may have some limited gaps due to internal capacity. Seventy per cent use that information in their final portfolio construction to a large or moderate extent. They will use the information regularly, however for those that answered moderately, in some cases ESG research may not be thoroughly assessed and applied in formulating views on all investment decisions. The survey found little change in these levels from previous years (see Figure 7).

3.Only the most relevant asset classes that asset owners internally manage are pictured in the graph.

When asset classes are compared, it is shown that collection and use of ESG research is most common within listed equities (developed markets) and non-listed real estate. In relation to internally managed assets that are subject to integration:

- In listed equities (developed markets): 89% use ESG research to large or moderate extent and 76% use it to structure their portfolios to the same extent;
- In non-listed real estate: 83% use ESG research to large or moderate extent and 83% use it to structure their portfolios to the same extent.

Figure 7:
Use of ESG research and extent to which it is applied to portfolio construction (internal active managed assets)



A relatively low proportion of signatories extensively monitor the ESG capabilities of internal staff such as investment analysts and portfolio managers. Across different asset classes only 30-40% of signatories monitor staff extensively; 10% don't monitor at all.

Principles in action
Using research to drive ESG integration in fixed income investment

UK-based manager Insight Investment has partnered with Governance Metrics International (GMI), a specialist information provider, to develop a risk scoring approach to ESG integration in its fixed income investment process. Insight's approach to ESG risk integration relies on full public disclosure of relevant information to construct reliable ESG risk scores.

In this process, a total of 18 separate scores are calculated for each company, including sub-scores within each broader ESG risk category. For example, there are subsidiary scores for audit, accounting and risk management under 'financial controls', and for policy, management and performance reporting under 'environmental risk'. The scores are incorporated into the formal credit appraisal template and analysts evaluate the materiality of these risks to the overall default risk profile of the company.

In addition, Insight's investment teams routinely screen their coverage universe, applying threshold criteria to identify the bottom 5% of companies in key risk categories. A quarterly ESG risk review is undertaken during which a 'watchlist' of companies is identified for assessment and possible engagement.

Insight describes the data points used to calculate risk scores as 'process indicators'. That is to say, each indicator describes whether a particular feature of governance or management best practice has been put in place. Alleged breaches, investigations or fines are treated as countervailing indicators of weaknesses in implementation or performance.

As stated, full public disclosure of relevant ESG information by companies is vital to construct reliable ESG risk scores. A company's failure to make available information that could contribute to a particular risk score will restrict the score it can achieve: failure to disclose whether the company has, for example, a workplace safety policy will be treated as if no such policy is in place. This risk-scoring methodology therefore penalises companies for non-disclosure.

Externally managed assets also show high levels of integration

The survey also looked at levels of ESG integration for externally managed (active) assets.

The percentage of AOs holding external assets represents 93% (on average 40% of their AUM). Eighty-one per cent of these signatories integrate ESG issues into their investment decision-making process to some extent, which is higher than the corresponding figure for internal management (73%). These AOs integrate on average across 79% of their external AUM. Consequently, 55% of all externally managed AUM of PRI asset owners is subject to ESG integration.

Across different asset classes the levels of ESG integration in AOs' external management tell a similar story to those under internal management. Listed equities, both developed and emerging market, are the asset classes most subject to ESG integration (81% and 66% respectively).

External assets are of limited relevance to IMs as they constitute only a very small part of their business (5%), mostly hedge funds and private equity.[4] Within this small section, 34% do not apply any ESG integration, and those that do integrate do so, on average, for 76% of the assets.

Table 1 compares levels of ESG integration between internal and externally managed assets by investor type. It shows that for AOs external assets are more often subject to ESG integration than internal managed assets, but that the reverse is true for IMs.

4. For more information see 'About the respondents'.

The lower level for externalised assets for investment managers can be explained by the relative importance of these assets for IMs and the emphasis on non-listed asset classes. The difference for AOs can be explained by the relatively high proportion of fixed income under internal management, where fixed income shows lower levels of ESG integration.

It is also interesting to note the difference in levels of integration between AO externally managed assets (81%) and IM internally managed assets (96%). Given that 40% of the external assets of PRI AOs are managed by PRI IMs, this seems to suggest that AO assets managed by non-PRI signatories are less likely to be subject to ESG integration.

Table 1: Comparing levels of ESG integration between internally and externally managed assets (AOs and IMs)

	AO	IM
% signatories that integrate internal AUM	73%	96%
% signatories that integrate external AUM	81%	66%

A third of AOs specified in-depth ESG integration into management agreements; fewer monitored ESG performance

How to spread responsible investment across the investment chain is explored in depth in the Principle 4 chapter of this report. This section specifically addresses agreements between AOs and their managers on ESG integration in the investment decision-making process.

A third of AOs who have some of their externally managed funds subject to integration specifically agreed with their managers that a comprehensive range of ESG issues should be considered and that the outcome whenever relevant fed into evaluation methodologies. Another third agreed on less in-depth integration, others did not define anything in a contractual manner.

Among those signatories that integrate levels of monitoring are limited. Only one in four signatories (24%) that integrate ESG issues monitor their external managers to a large extent on their performance on these issues, while 9% do not monitor at all.

The big picture: 7% of global market now subject to ESG integration

Within the PRI signatory base we have seen some very positive developments in terms of ESG integration in recent years. The percentage of listed real estate subject to integration within the PRI base soared from 26% in 2008 to 58% in 2009 to 70% in 2010. We have also seen steady growth in integration within fixed income: from 20% in 2008 to 46% in 2010 for sovereign, and 45% to 67% for corporate (See Table 2).

In Table 2 we put the above developments in the global context by comparing the signatories' AUM subject to integration to the market size. Please note that the table only counts internal actively managed assets to avoid double counting.

Due to the continuous growth in both the number of signatories and the percentage of signatories that integrate, the level of ESG integration within the global market as a whole, across all asset classes, has risen from 4% in 2008, to 6% in 2009, to 7% in 2010.

Although PRI signatories are increasingly integrating ESG issues into investment processes, as a proportion of the global market, it remains limited. For example, in infrastructure, the extent of ESG integration recorded in this survey, when compared with the overall market, is close to zero, because the majority of infrastructure investments are managed by non-PRI signatories. Within corporate fixed income and listed real estate, about one-third of the market value is managed by PRI signatories and consequently their impact on the total market is more significant: 29% and 21% respectively.

Table 2: ESG integration for internally active managed AUM relative to market value

2009 AUM figures in US$ billions	Total signatory internally Active AUM	Internally active assets subject to integration via PRI signatories	Share of signatory internally active AUM subject to integration	Market size	Share of total market subject to integration by PRI signatories*
Listed equities (developed markets)	3,674	2,525	69%	37,500[a]	7%
Listed equities (emerging markets)	700	478	68%	9,589[a]	5%
Fixed income – sovereign and other	5,253	1,579	30%	31,073[b]	5%
Fixed income – corporate issuers	2,437	1,373	56%	7,260[c]	19%
Private equity	201	122	61%	2,480	5%
Listed real estate or property	297	172	58%	731[d]	24%
Non-listed real estate or property	497	418	84%	10,153	4%
Hedge funds	188	36	19%	1,700	2%
Infrastructure	71	63	89%	21,500[e]	0%
Total	**13,317**	**6,766**	**51%**	**121,986**	**6%**

2010 AUM figures in US$ billions	Total signatory internally Active AUM	Internally active assets subject to integration via PRI signatories	Share of signatory internally active AUM subject to integration	Market size	Share of total market subject to integration by PRI signatories*
Listed equities (developed markets)	4,956	3,679	74%	39,867[a]	9%
Listed equities (emerging markets)	975	729	75%	16,087[a]	5%
Fixed income – sovereign and other	6,055	2,815	46%	34,922[b]	8%
Fixed income – corporate issuers	3,396	2,275	67%	7,859[c]	29%
Private equity	302	209	69%	2,517	8%
Listed real estate or property	245	171	70%	799[d]	21%
Non-listed real estate or property	826	711	86%	10,511	7%
Hedge funds	178	33	18%	1,920	2%
Infrastructure	120	105	87%	28,900[e]	0%
Total	**17,052**	**10,727**	**63%**	**143,382**	**7%**

** For for both 2010 and 2009 this percent conservatively underestimates the findings of the survey. In fact, the numberator does not include the externally managed funds, to avoid some double counting. Moreover, the market size in the denominator includes passive managed funds, which instead are not measured in the numerator as not necessarily subject to Principle 1. For 2009, please note the figures have been corrected in this table as they incorrectly included externally managed assets in last year's report.*

(a) Split developed and emerging markets by MSCI country membership. Deduct listed real estate by market capitalisation weighting
(b) Sovereign plus quasi-sovereign
(c) Corporate plus high yield but excluding asset-backed
(d) Figures for public equity
(e) Estimated total stock of infrastructure assets, including assets in public ownership.

Sources:
Listed equity (developed markets); World Federation of Exchanges
Listed equity (emerging markets); World Federation of Exchanges
Fixed income – sovereign and other; Bank of America Merrill Lynch – Bond Index Almanac
Fixed income – corporate issuers; Bank of America Merrill Lynch – Bond Index Almanac
Private equity; Preqin Global Private Equity Review
Listed real estate or property; DTZ Research
Non-listed real estate or property; DTZ Research
Hedge funds; TheCityUK estimate
Infrastructure; RREEF Research analysis

Passive funds and Principle 1

All analysis so far has related to actively managed funds. However, around 20% of total assets are under passive management[5] – this is defined in the survey as investment strategies that aim to replicate broad capital market benchmarks or are dedicated to matching a specified set of liabilities. It is significant that the proportion of passive investors that incorporate ESG criteria in their index construction has risen from 19% to 25% this year.

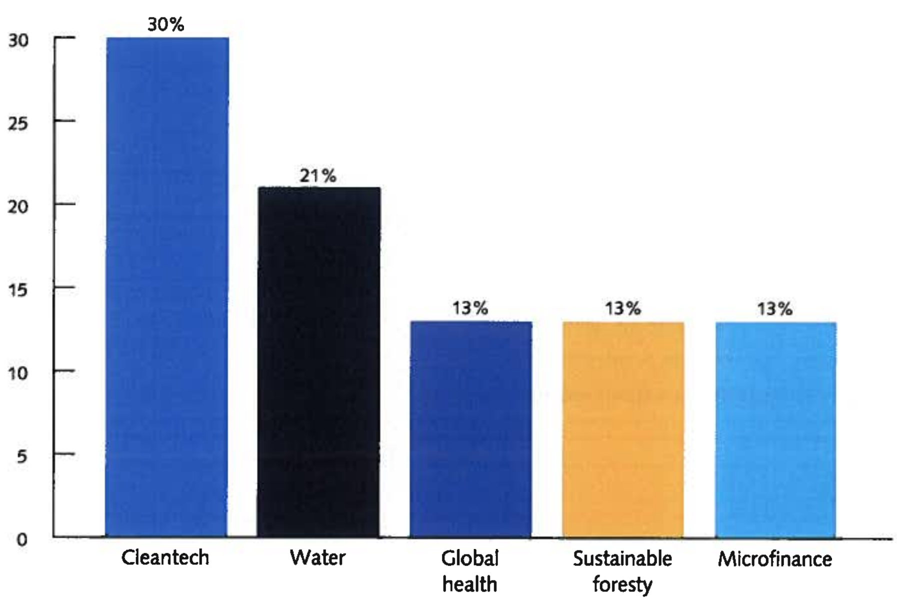
> More information on the PRI and passive investment is available in the publication 'Responsible investment in passive management strategies', available online.

Cleantech most popular investable ESG theme

In total, 43% of signatories invested in ESG-themed funds this year. This included a mix of both mainstream and specialist funds. Dedicated themed fund managers make up around 10% of the PRI's investment manager community.

Cleantech was the most popular theme with 30% of all respondents investing in cleantech funds, followed by water funds (21%). Microfinance, sustainable forestry and global health funds each attracted 13% of signatories. It is important to note that many also used the option 'other' and listed funds in for example renewable energy, waste or social housing.

Figure 8:
Proportion of signatories investing in different themed funds



5. For more information see the 'About the respondents' section at the back of this document

Principle 2:

We will be active owners and incorporate ESG issues into our ownership policies and practices

This principle encourages signatories to be responsible stewards of the companies they own by voting in an informed way and engaging with companies (and other entities) to improve ESG performance.

Introduction

This chapter looks at the two main ways in which signatories implement their commitments to active ownership: voting and engagement. In total, 93% of respondents reported being active owners to some extent.

Most investors exercise their right to vote their proxies

Shareholders have the right to vote on shareholder resolutions, management resolutions and board elections at company meetings. The survey found that 88% of signatories vote at least a portion of their listed equities. On average, these investors cast around 93% of the possible ballots, an increase from 88% last year.

AOs have shown a slight improvement in this area this year. They cast a higher percentage of ballots (95%) than IMs (91%) on average. Among AOs that have participated in the survey for two consecutive years, the percentage who vote has increased from 86% to 92% this year.

The vast majority of signatories that vote (97% of IMs and 83% of AOs) have a voting policy in place. Of these voting policies:

- 100% address corporate governance;
- 85% address social issues;
- 83% address environmental issues.

This is similar to last year's results, although a slight rise in the number of voting policies addressing environmental issues can be seen among signatories that have participated in the survey for two years. Among this group 85% included an environmental focus, rising from 82% last year. The Principle 6 chapter of this report describes how many make their voting public and presents some examples.

About 44% of signatories that vote have a securities lending programme. Of these, 79% recalled some securities for voting this year on either an ad hoc or a systematic basis, up from 75% last year. In the same period the proportion of signatories that did not recall their securities for voting purposes declined from 22% to 18%.

Principles in action
Connecting ESG research, voting and engagement

Harbour Asset Management is a New Zealand-based investment manager formed in January 2010 and is driven by its research and active engagement policies.

An annual in-house Corporate Governance Survey (CGS) of all New Zealand stocks held is an integral part of this approach. The survey covers all aspects of ESG issues plus further analysis of senior management or board practices. This survey enables Harbour to engage actively with managements and monitor both absolute and relative ratings. In addition, Harbour also subscribes to the RiskMetrics service to further analyse all proxy voting. The RiskMetrics service tends to focus on governance, with a lesser emphasis on environmental or social issues.

Whenever an ESG issue arises, Harbour reviews the respective CGS company file, firstly to ensure the company's own consistency with previous responses, and also to see how the company rates on ESG issues on a relative basis. If Harbour intends to vote against management recommendations, it seeks to engage directly with both management and board. The CGS provides a strong starting point in these conversations, with managements made aware of benchmarking to world-best practice on ESG principles; this approach helps remove many of the emotive and subjective arguments that can arise.

In the last year there have been one extensive and one moderate engagement. In the moderate engagement, Harbour met with the new chairman of a company that had previously had significant corporate governance issues to discuss the appointment of a new CEO. This was a forum to have a free and frank discussion about the management experiences of the past and to offer a view on the desired skill-set required in the new management. The engagement had a positive outcome, without public debate.

In the major engagement, Harbour was among a group of institutions that engaged with the board of Guinness Peat Group to establish a framework for structural change at a board and strategic level. The key proposal was to establish a majority of independent directors who would conduct a strategic review of how to narrow the value gap, principally by realising assets.

In both of these engagements, Harbour involved those clients who had expressed a wish to be consulted.

AOs step up on monitoring and explaining of votes

Most AOs use third parties (such as service providers and/or external managers) to cast their votes for them, with over 55% of AOs stating these agents were the most important element in this process. This year found that 37% of AOs monitor (to a large extent) that votes were cast by third party providers in accordance with their policy, an improvement from 29% last year. Similarly, the percentage of AOs that did not monitor voting decisions made by third party providers at all dropped from 16% to 12% (see Figure 9). These improvements are mainly attributed to the signatories who responded to the survey for two consecutive years. For this group the percentage of AOs monitoring voting decisions to a large extent rose from 29% to 39%.

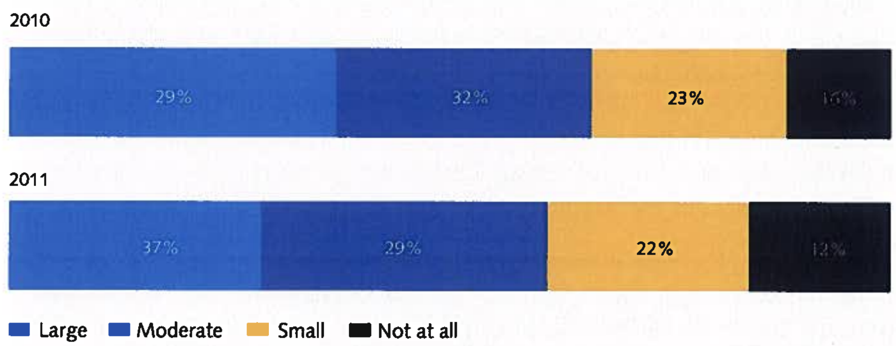
Although the majority of AOs use external providers for voting, 44% of AOs signatories state that internal staff and internal voting groups were the most important agents in this process. Of these AOs signatories who vote internally, 56% state that they gather information and research to a large extent before making voting decisions, similar to last year.

More AOs that vote internally also appear to use voting as a channel of communication to investee companies on ESG issues. This year, 79% of AOs said they informed listed equities companies of their rationale when they voted against management, an increase from 69% last year.

Among IMs, 85% reported that internal staff and internal voting or governance groups are the most important agents in making and implementing voting decisions. IMs vote according to their own policy in 29% of cases or according to a combination of their own and clients' policies in 54% of cases – figures similar to last year's. In total, 17% of IMs do not provide any voting services to their clients. Within the IM community that votes internally, almost 70% said that they gather information and research to a large extent before making voting decisions.

Only 15% of IMs stated that external managers and third party providers are the most important agents in making and implementing voting decisions. Of this small group, 49% stated that they monitor (to a large extent) that votes were cast by external managers or third party providers in accordance with their policy.

Figure 9:
Extent to which AOs monitor whether voting decisions were executed in accordance with their own voting policy



Engagement overview

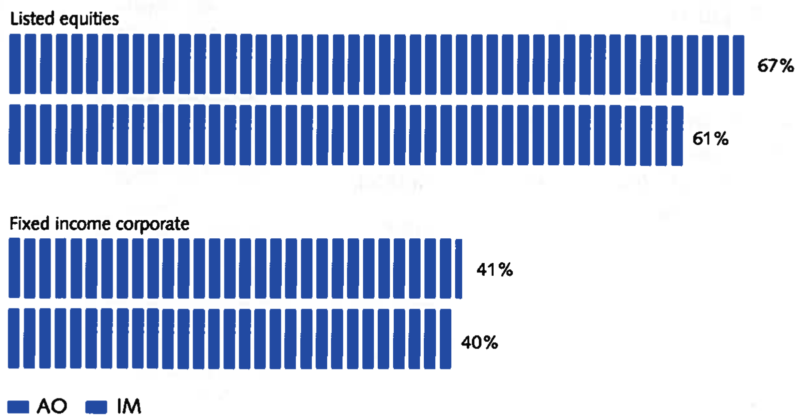
As well as voting, many signatories are involved in direct shareholder engagement with companies. 'Engagement activities' in this report are defined as contact by investors with a company in order to promote improved ESG performance or better ESG risk management. The following analysis focuses on engagements in listed equities and corporate fixed income. Findings related to active ownership in other asset classes are presented in the last section of this chapter.

Three in four signatories (78%) have been involved in engagement activities this year. Rates of engagement are slightly higher among AOs than among IMs.

Around two-thirds of signatories (61% of IMs and 67% of AOs) have a written engagement policy to govern listed equities holdings, but only around 40% of signatories have such a policy for engagements concerning fixed income corporate holdings (see Figure 10).[6] In this area there was a move upwards by IM signatories that have participated in the survey for two consecutive years:

- 66% of these IMs now have listed equities engagement policies (up from 54% last year);
- 44% now have corporate fixed income engagement policies (up from 31% last year).

Figure 10:
Signatories with a written engagement policy for the stated asset class



Who engages for AOs and IMs?

IMs generally manage engagements internally, while the opposite is true of AOs. In total, 91% of IMs use internal staff for engagement activities (an increase from 86% last year), and only 41% of AOs use internal staff in this way (decrease from 45% last year). A majority of AOs tend to ask either their IMs or specialist engagement service providers to undertake engagement on their behalf.

Note that that AOs and IMs may use both internal staff and third parties in their engagement activities. Of the engagements reported by all signatories:

- Around 40% are run by internal staff; down from 60% last year;
- 37% by external engagement service providers; up from 15% last year;
- 16% by external investment managers; up from 15% last year.[7]

The remaining engagements were conducted by investor collaborations through organisations such as the Australian Council of Superannuation Investors (ACSI), Carbon Disclosure Project (CDP) or the Local Authority Pension Fund Forum (LAPFF).

The issue of monitoring is also important. Among signatories that use external managers, only 50% track the progress of their engagements. This compares with 83% and 81% respectively among investors that use internal staff or specialist providers.

6. Please note that this analysis is conducted by considering all signatories who have the relevant asset class irrespective of whether they undertake engagements. For a similar analysis in last year's report, the percentages were calculated by considering only those signatories who undertook some level of engagement activities. For this reason, the numbers presented this year is not entirely comparable to last year.

7. Note: There was a change in methodology for calculating engagement statistics this year. The top and bottom five values in each category were netted out to reduce the impact of extreme values in the overall statistics. Therefore the percentages stated for the overall engagement statistics this year are not comparable to the figures presented in last year's report. To enable comparison with this year's figures wherever deemed necessary, the 2010 figures were revised by applying this year's methodology described above.

Extensive engagements rise in US, Australia and France, but global picture varies

Engagements vary in intensity. Some involve only 'basic' contact from an investor such as sending a letter or holding a conference call, while at the other end of the scale there can be an 'extensive' process involving multiple interactions at high levels with a company. The definitions for 'basic', 'moderate' and 'extensive' used in this survey can be found in the explanatory notes of the survey.[8]

Looking at engagements run by internal staff, engagement service providers or investment managers, around 60% were reported to be on a basic level and 15-17% were reported to be extensive.[7] These figures indicate that a smaller proportion of engagements were categorised as extensive compared with last year.

There were large variations between different countries. The US, Australia, New Zealand, Finland, France, the Netherlands and Sweden all notably increased both the number of extensive engagements undertaken and the number of individual signatories undertaking these engagements. In contrast, signatories in Brazil and the UK show a drop in the total number of engagements. The decrease in Brazil has been minimal, while UK signatories explained that the drop within the extensive engagement category is a result of resources being focused on fewer crucial engagements. Table 3 shows the full breakdown of results from all countries that have at least five signatories responding to the survey. The figures include collaborative engagement and the same engagement can be reported by more than one signatory.

8. http://www.unpri.org/reporting/20110309_offline_survey_2011.pdf

Table 3: Extensive engagements undertaken by internal staff [9,10]

	Number of signatories involved in extensive engagements[11]	Number of extensive engagements	Number of signatories involved in extensive engagements	Number of extensive engagements
	2010		2011	
Australia	31	103	33	231
Brazil	5	83	8	72
Canada	11	132	9	155
Finland	4	2	7	43
France	15	212	19	391
Germany	Not Available[12]	Not Available[12]	4	210
Japan	4	25	5	321
Netherlands	18	348	22	587
New Zealand	3	69	5	97
Sweden	9	133	14	401
Switzerland	5	202	8	203
UK	34	1995	38	1790
USA	33	532	39	909

9. For confidentiality, only countries that have at least five signatories who responded to the survey are listed.
10. Note: Denmark and South Africa are not listed in the table. The signatories in these countries reported extensive engagements last year but this year the majority of these signatories stopped reporting on engagements run by internal staff.
11. These are the number of respondents who reported extensive engagement and not the number of respondents from a country.
12. Less than five respondents in 2010

Principles in action
Engagement on coal seam gas

In late 2010, Australia had a number of Coal Seam Gas to Liquified Natural Gas (CSG to LNG) developments in the pipeline. The CSG to LNG projects will bring economic benefits to Australia but this needs to be balanced against the potential for irreversible environmental harm to soil, water, vegetation, ecosystems, crops and future land use.

In the lead up to environmental approvals of these developments, Australian-based signatory Dalton Nicol Reid was concerned at the market's lack of attention to the environmental consequences of CSG drilling and its potential impact on share prices. ESG research helped identify a number of issues, including:

- The high level of salt in CSG water, which could cause environmental damage;
- Potential impact on the water quality of the Great Artesian Basin, the largest such basin in the world and a major source of freshwater to inland Australia.
- New York State Senate has declared a moratorium on hydraulic fracturing in natural gas exploration to allow for a comprehensive review of safety and environmental concerns.
- Queensland has banned the use of evaporation ponds to get rid of excess water from CSG drilling.

It was therefore clear that companies involved in the projects would need comprehensive CSG water management strategies as part of efforts to avoid environmental damage.

Having established the issues through research, Dalton Nicol Reid then engaged with companies planning involvement in the projects through face-to-face meetings and phone calls with management and investor relations teams from a number of companies. Engagement enabled the investor to gather detailed information about water management and handling of the environmental consequences of CSG.

The engagement led to the conclusion that two companies – AGL and Origin – were better placed to manage this risk than their peers. AGL, which has substantial gas acreage, plans to feed domestic gas supply. It operates two reverse osmosis plants to separate salt from water. Origin, in partnership with US energy player ConocoPhilips, plans to feed CSG into the Australia Pacific LNG project. Origin also uses two reverse osmosis plants to treat the water, which is then used to irrigate a tree that produces a nut rich in oil which can be used to create a bio-diesel product. The company is also exploring alternative methods of disposing of the CSG water such as water re-injection, and is working closely with the Queensland government on environmental impacts.

Exploring the engagement toolbox

The survey identified three key processes associated with engagement:

- To assess and monitor the competencies of engagement staff and/or providers;
- To identify and prioritise ESG engagements;
- To set ESG objectives and evaluate success based on these goals.

The number of signatories with each of these three processes in place rose across the board this year, irrespective of whether engagement was delivered by internal staff, external IMs or a specialist provider (see Figure 11, highlighting, as an example, the first process).

Some of the most significant improvements involved signatories that use internal staff for engagements. Among this group the survey found:

- 75% now assess and monitor competency in this area, up from 67% last year;
- 78% have a process for prioritising engagement opportunities to a large or moderate extent, up from 70% last year;
- 67% set objectives and assesses success, up from 62% last year.

Figure 11:
Assessing and monitoring competencies of those delivering engagement

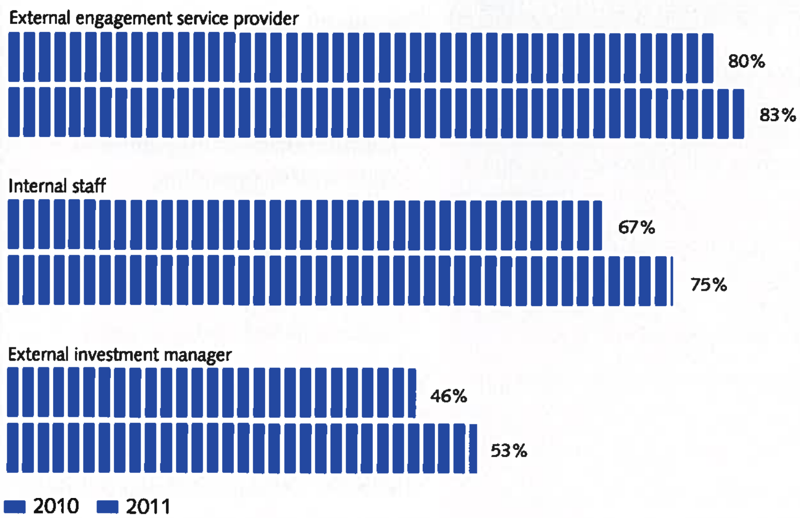
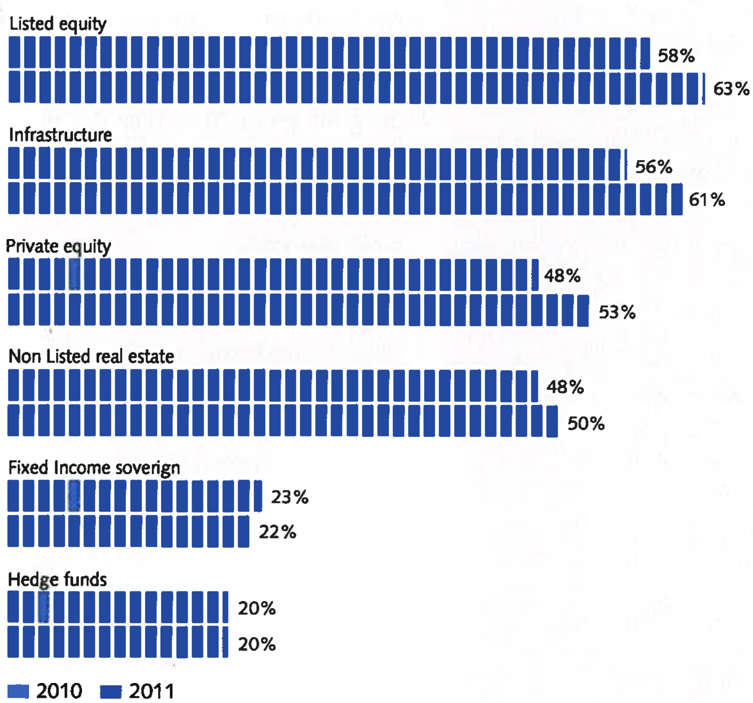


Figure 12:
Signatories with ESG active ownership policies across asset classes



Half of signatories undertake active ownership in asset classes other than listed equities

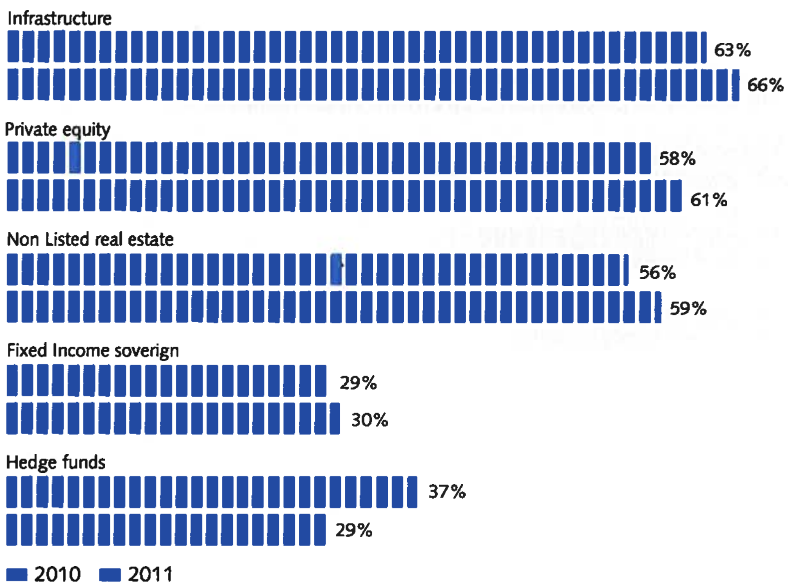
Beyond listed equities, the survey also explored policies and practices related to active ownership in non-listed asset classes such as sovereign fixed income, private equity, non-listed real estate and infrastructure. In total, 51% of signatories that are invested in these asset classes reported undertaking active ownership activities to some extent.

Over half of the signatories who hold infrastructure, private equity and non-listed real estate investments have an active ownership policy addressing ESG issues, a small increase compared to last year (see Figure 12). Infrastructure has the highest percentage with 61% and is comparable to the proportion of signatories that hold active ownership policies in listed equities (63%).[13] The proportion of signatories with active ownership policies for hedge funds and sovereign fixed income remains low, reflecting the challenges of implementing active ownership in these investments.

The three asset classes of infrastructure, private equity and non-listed real estate are also significantly ahead of others (except listed equities) in terms of implementation of active ownership (see Figure 13). Around 80% of signatories invested in these three asset classes report undertaking active ownership activities to a large or moderate extent.

13. In last year's report it was stated that 75% of the signatories holding listed equities have an ESG ownership policy. Please note that this percentage was calculated by considering only those signatories who undertook some level of ownership activities. However, this year the analysis is presented by considering the signatories who have the relevant asset class irrespective of whether they undertake engagement activities.

Figure 13:
Levels of active ownership activities, by asset class (ex listed equities)



Principle 3:

We will seek appropriate disclosure on ESG issues by the entities in which we invest

This Principle asks investors to use their influence with companies to ensure they provide high-quality data on ESG performance, impacts, risks and opportunities. Without this data investors cannot accurately assess ESG risks and opportunities.

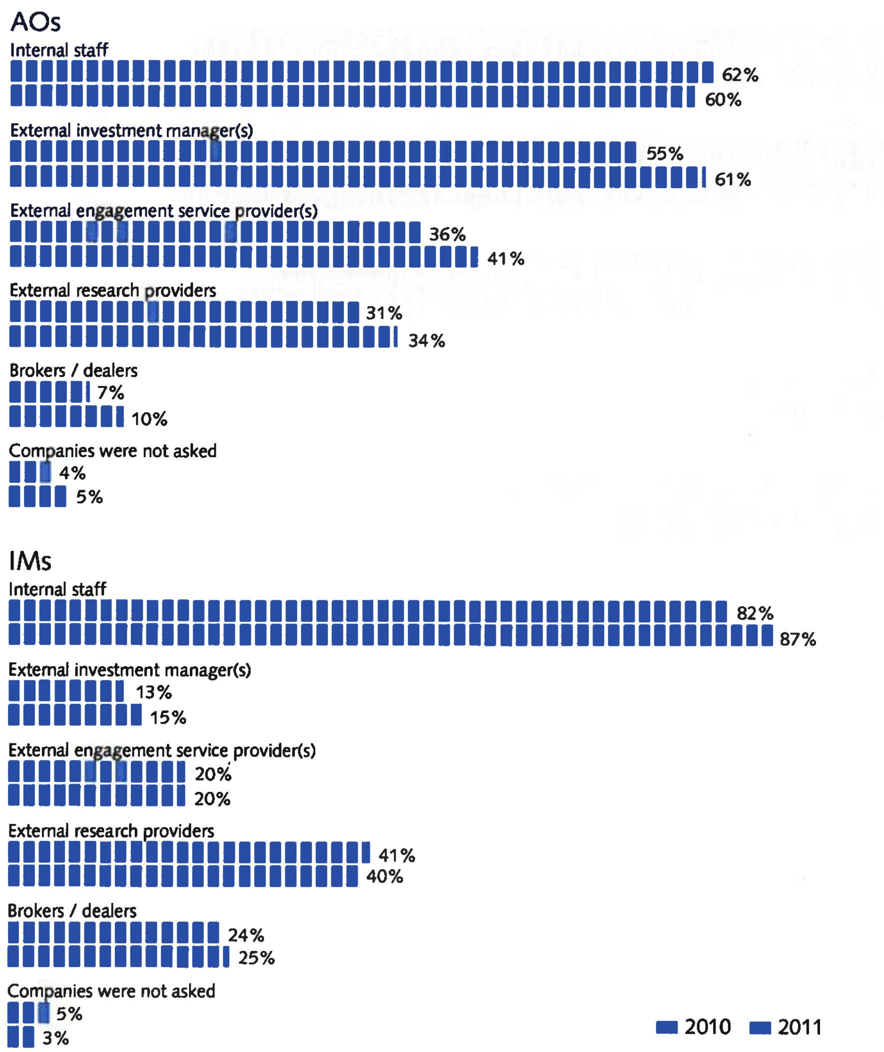
Introduction

This chapter explores the different ways that signatories request ESG information from investee entities, and the extent to which these requests are being made across different asset classes. Compared with last year, there has been significant growth in the number of signatories seeking ESG disclosure from investee companies and encouraging standardised reporting.

IMs becoming more important in disclosure debate

The survey results show that internal staff continue to play an important role in asking investee companies for disclosure related to ESG policies, practices and performance. In total, 87% of IMs and 60% of AOs rely on internal staff for this. However, there has also been an increase (61%, compared to 55% last year) in the number of AOs asking their IMs to collect ESG disclosure from their investees (see Figure 14).

Figure 14:
Roles involved in requesting ESG disclosure (AOs and IMs)



Principle 3: Not just for equities

In the past, implementation of this Principle has largely been focussed on listed equities. This is changing, with signatories using their influence in other asset classes to put further pressure on companies to improve ESG disclosure. For example, the number of signatories that have implemented Principle 3 to a large or moderate extent has grown within infrastructure, private equity, corporate fixed income and non-listed real estate this year. This relates to the rise of integration shown under Principle 1 and the improvements of active ownership for these asset classes in Principle 2.

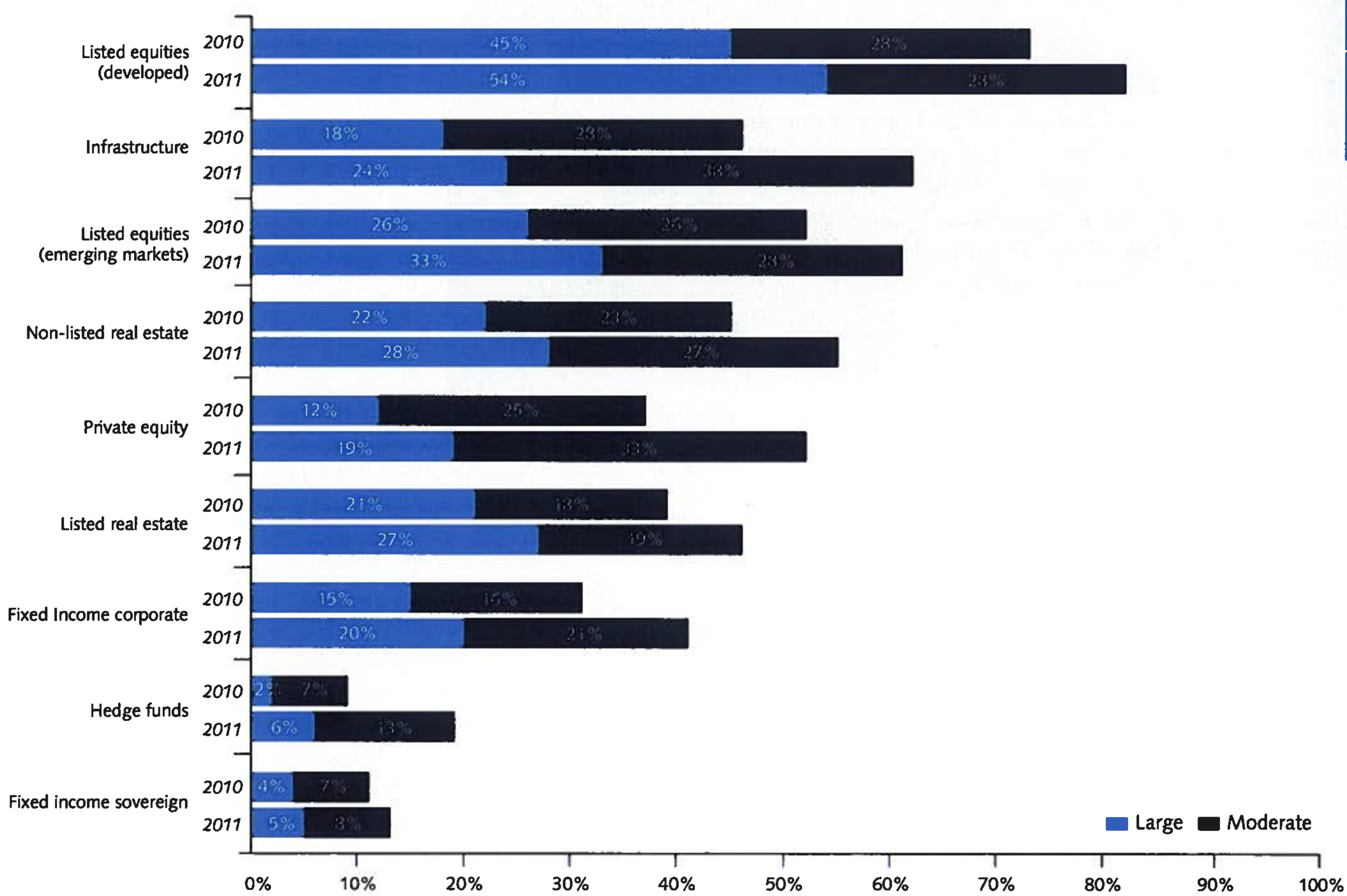
Much of the growth in these asset classes can be attributed to signatories that have responded to the survey in two consecutive years. Within this group, well over half (62%) of infrastructure investors now make significant requests for ESG data (see Figure 15).

Integrated reporting and GRI both in demand

There are a number of ways in which signatories can ask for ESG information from companies. In total, 71% of signatories request ESG information from companies integrated into their regular financial reporting, an increase from 67% last year. This is perhaps evidence of wider momentum for 'integrated reporting' in the market as a whole (see box out). However, only 18% of signatories rely on this source alone, with the rest using a mix of other channels.

Figure 15:

Breakdown of requests for systematic ESG disclosure, by asset class (among signatories responding to the survey for two consecutive years)



Counting what counts and measuring what matters

Responsible investors are increasingly interested in the relationship between the strategic objectives of companies and their financial and sustainability performance. The finding in this year's survey that over 70% of respondents want ESG information integrated into regular financial reporting is evidence of the growing momentum behind 'integrated reporting'.

Part of that momentum comes from the recently established International Integrated Reporting Committee (IIRC), an international cross section of leaders from the corporate, investment, accounting and many other sectors and which includes the PRI Chairman among its working group members. The ambitious mission of the IIRC is to create a globally accepted integrated reporting framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format.

It is hoped that the widespread introduction of 'integrated reporting' will catalyse the production of high-quality data that enables investors to make meaningful comparisons between companies on their ESG performance.

A number of practical issues around integrated reporting still need to be addressed. Firstly, as is clear from some of the findings in the Principle 1 section of this report, there is no one-size-fits-all approach to how investors are incorporating ESG issues into their investment decisions and therefore no clear 'ask' from the investment community for how companies should be accounting for ESG issues. Secondly, investors are not the only stakeholders in companies and integrated reporting must address the risk that its introduction could divert companies from providing the type of granular information which is relevant to wider stakeholders too.

Other channels used by investors to acquire ESG data include stand-alone CSR reports, initiatives such as the Carbon Disclosure Project or Extractive Industries Transparency Initiative and the COP (Communication on Progress) process run by the UN Global Compact. All these channels have experienced an increase this year in percentage of signatories using them (see Figure 16). The most notable rise is in requests for tailored surveys of ESG information, increasing from 27% to 34% of signatories this year, suggesting a growing trend for signatories to seek specific and relevant ESG information on a case-by-case basis.

Figure 16:
Channels used by investors to collect ESG data

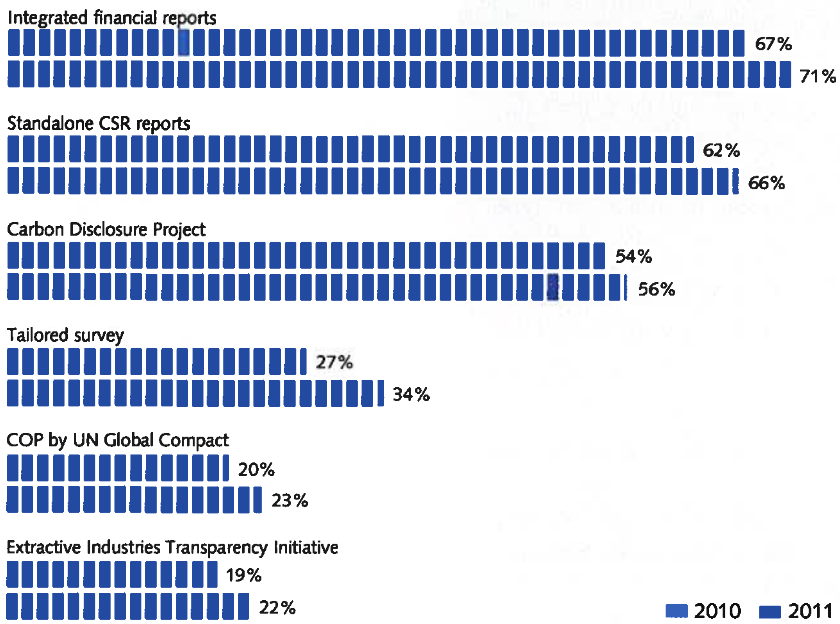
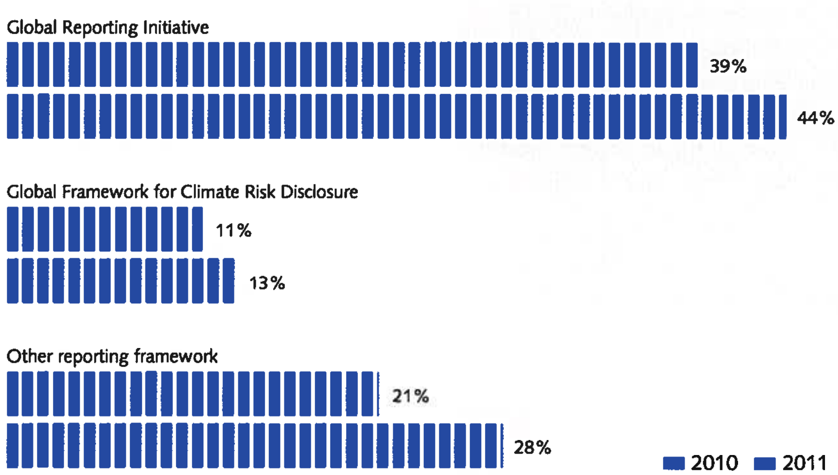


Figure 17:
Reporting frameworks for ESG disclosure suggested by investors to investee companies



Signatories are also increasingly requesting that ESG information is presented using a standardised framework. The most popular of these frameworks is the Global Reporting Initiative (GRI), with 44% of signatories asking investees to report in alignment with it, an increase from 39% last year (see Figure 17). The number of investors using the Global Framework for Climate Risk Disclosure and other reporting frameworks has also increased compared with last year.

In total, 70% of signatories ask for information about company performance on international standards and codes such as the Universal Declaration of Human Rights, ILO Conventions or UN Global Compact.

Principles in action

A collaborative approach to ESG disclosure

In 2009, Swedish asset owner AP1 and 14 other Swedish institutions,[14] together representing 20 per cent of the Swedish stock exchange, launched the **Sustainable Value Creation** Initiative. The project, inspired by a similar Norwegian initiative, was a clear signal from the group of investors of the importance of companies addressing sustainability issues in a systematic way in order to create long-term value for their owners.

Under the initiative, a survey was sent out in late 2009 to the chairs of the 100 largest companies listed on the Stockholm stock exchange (Nasdaq OMX), to raise sustainability issues at board level and to get an overview of the structures in place for sustainable value creation.

The survey addressed four main areas: the company's key policy documents and commitments; implementation and compliance; communication and reporting; and accountability of the board. The companies were asked about policies related to human rights, labour rights, the environment and climate change, anti-corruption, responsible business conduct and health, working environment, and safety. They were also asked whom these policies applied to, if and how sustainability was integrated in different strategies, and if inadequate compliance would have consequences on bonuses and/or remuneration paid to management.

With a response frequency of 84%, the group gained an excellent overview of the way in which listed Swedish companies work on sustainable value creation, as well as areas ripe for improvement. The resulting report was presented at a seminar in early 2010, followed at the end of the year by another seminar and roundtable discussions between the companies and investors to promote best practice. The survey has also resulted in some of the companies improving their reporting in areas covered by the questionnaire, and other companies are starting to work more systematically with the same issues, using the survey as guide. A new survey was sent out in May 2011.

Meanwhile, the Ethical Council (AP1, AP2, AP3 and AP4) has followed up with individual meetings with some of the companies lagging in disclosure of ESG issues.

14. The institutions behind the Sustainable Value Creation initiative are AP1, AP2, AP3, AP4, the Church of Sweden, DnB NOR, Folksam, Handelsbanken, Meta Asset Management, Nordea, SEB, SPP/Storebrand, Swedbank Robur, all PRI signatories, and KK-stiftelsen (The Knowledge Foundation) and Skandia Liv. In 2010, AP1 was at the lead of the project.

Principle 4:

We will promote acceptance and implementation of the Principles within the investment industry

This Principle asks signatories to help catalyse the take-up of responsible investment throughout the investment chain and the wider industry.

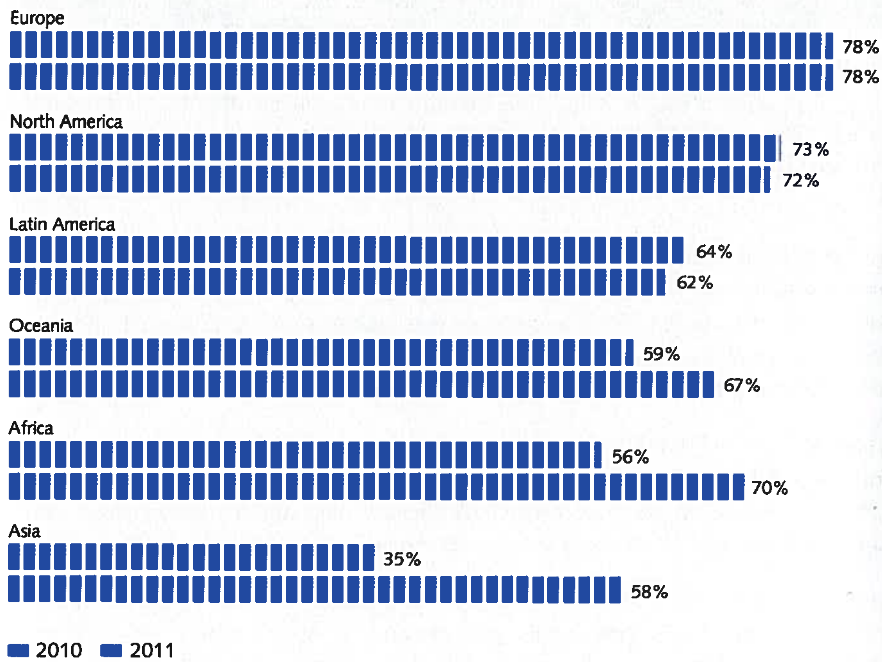
Introduction

This chapter looks at how signatories promote the Principles and responsible investment in general with clients, agents, suppliers, partners, policy-makers and other stakeholders. It looks at the differences between regions and the extent to which different tools, such as contracts, incentives or industry forums are used for this purpose. This section starts by looking at promotion of RI to peers and clients and then moves on to look at the promotion done via the selection of third party providers.

Asia and Africa catch up in promoting responsible investment to peers and clients

On average, 73% of respondents encourage peers, clients or other industry players to a large or moderate extent. This year has seen African and Asian signatories stepping up on this Principle. The percentage of Asian signatories promoting responsible investment to a large or moderate extent has risen from 35% to 58% this year and among African signatories the rise has been from 56% to 70%. Also Oceania has an increase from 59% to 67%, while other regions stayed broadly similar to last year in this regard (see Figure 18).

Figure 18:
Signatories promoting RI to industry peers to large or moderate extent, by region



Principles in action
Promoting responsible investment in Asia

In 2006, ADM Capital established the ADM Capital Foundation to help promote innovative approaches to responsible investment and environmental conservation in Asia. The Foundation applies ADM Capital's risk management, knowledge of financial structures and local contacts built over years of investing in Asia and beyond.

In-depth knowledge of the investment industry in Asia and observation of environmental degradation in this fast-developing region led ADM Capital to believe that insufficient ESG due diligence was having a profound impact on the region's natural resources. This in turn had become a significant and unrecognised risk factor for the investment and corporate communities.

In particular, the Foundation has funded and/or contributed to investor research focusing on ESG risks in relation to China's water crisis and the forest products industry in Asia. Both pieces of research ('Water in China' and 'Forestry in Asia') have been published by ESG research provider Responsible Research, also a PRI signatory.

In 2010, ADMCF also launched the pilot Asia Water Project, a web-based information portal on China's water crisis designed to help investors and business understand and manage China's water risks by providing targeted research, news, expert opinion and events information. Its goals are:

- To improve corporate disclosure of water data and metrics;
- To improve investor due diligence around water issues with the goal of directing capital flows to projects that are better-governed, managed sustainably and with reduced environmental impact; and
- To foster a community of investors and business owners who want to improve water resource management in China.

The Foundation has determined that a forestry web portal is also needed to raise awareness of forestry issues among investors. The expanded water portal, re-named "China Water Risk" (www.chinawaterrisk.org), will be launched in October 2011 and the forestry portal, "Asia Forestry Risk", in 2012.

Including ESG issues in searches, contracts and incentives

The level at which signatories include ESG criteria in their search, contracts and incentives for third-party providers has stayed largely the same as last year. This is an area of particular relevance to asset owners, who sit at the top of the investment chain and therefore are seen as the most influential community to implement Principle 4.

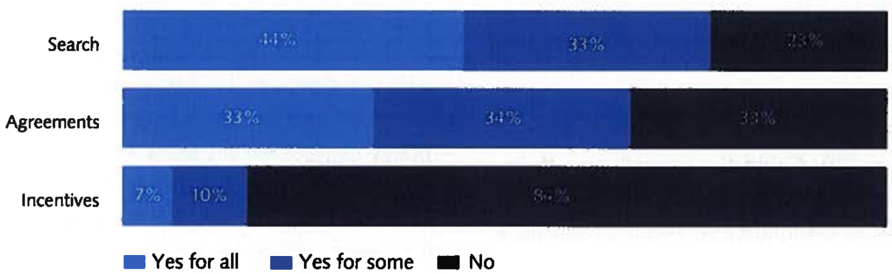
The Principle 1 chapter reported that about one third of AOs put specific clauses about ESG integration into their agreements with investment managers. Below we look at how AOs include ESG criteria more broadly in contracts and policies relating to areas such as voting, engagement or exclusion.

Among AOs, in all or some cases:

- 77% consider ESG issues when seeking to hire an investment manager;
- 67% include ESG issues in investment management agreements;
- 17% offer incentives based on ESG performance.

These figures show no significant change from last year across the complete sample of AOs. Analysis of the degree of change is affected by a relatively large number of signatories completing the survey for the first time this year. If we look at signatories that have completed the survey for two consecutive years we can see that 36% of AOs include ESG issues in management agreements, a notable rise from 28% last year.

Figure 19:
AO inclusion of ESG issues in searches, agreements and incentives with managers



The survey also asked both AOs and IMs whether they include criteria on ESG issues when buying research. The results in this area are similar to the findings above. The percentage of respondents including ESG issues is:

- 75% in (all or some of) their searches;
- 56% in (all or some of) their contractual agreements;
- 31% in (all or some of) their incentives.

Note that the level of incentivisation can be partly attributed to the number of agreements with specialist providers of ESG research.

Principles in action
Engaging with investment consultants to include ESG in manager searches

StatewideSuper is a small Australian superannuation fund with a large portion of its assets invested in pooled trusts and other collective investment vehicles. To ensure StatewideSuper can implement its ESG investment policy, it is important for the fund to select investment managers able to integrate ESG issues into their investment process. When StatewideSuper searched for a new investment consultancy last year, the fund made sure consultants included ESG factors in manager searches and investment management agreements (IMAs). StatewideSuper included an ESG question in the consultant request for proposal (RFPs), and ESG capabilities were a significant consideration in the final selection of a new consultant.

StatewideSuper worked with the new consultant on a framework for assessing the ESG philosophies and approaches of investment managers, which included a basic scoring system. The investment consultants now include ESG criteria in all manager RFPs and IMAs issued on StatewideSuper's behalf.

>To read the full case study, please see the small funds case study compendium, *Implementation of the PRI by small and resource-constrained investors* at www.unpri.org/publications

Broker research

Brokers are an important part of the investment chain and the survey also analysed whether signatories include ESG criteria in their broker evaluation processes. It found that of those that internally manage, 51% of IMs include such criteria in this process, but only 35% of AOs do.

It is worth noting that there has been a rise in the number of AOs active in this area compared with last year (see Figure 20). Given the overall growth in signatories and AUM among respondents, this is evidence of considerably more pressure being put on the broker community to stimulate ESG research this year.

Figure 20:

Inclusion of ESG criteria in the broker evaluation process (AOs and IMs)

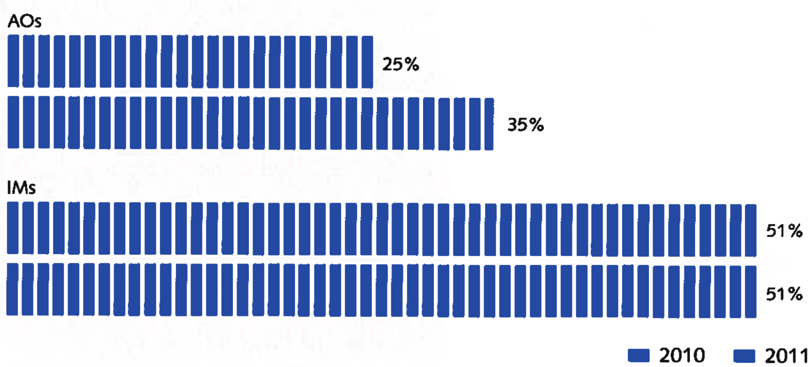
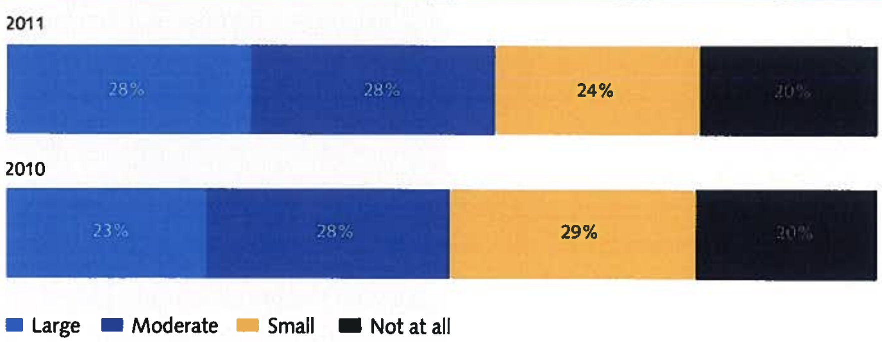


Figure 21:

Signatories engaging with public policy



Increase in signatories working with policy-makers

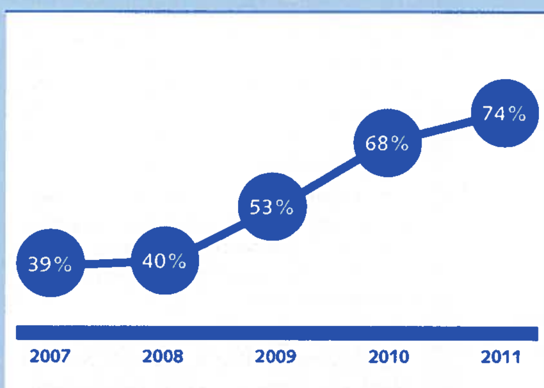
Implementing Principle 4 can also mean working, where appropriate, with regulators and policy-makers to create the right local and international policy climate for responsible investment to thrive. This can take the form of dialogue, lobbying or industry initiatives relating to government policy or international standards. The percentage of signatories undertaking these efforts to a large extent rose from 23% to 28% this year (see Figure 21). Signatories from four European countries have been most active Germany, Netherlands, UK and France, followed by South Africa, Japan, Australia, Canada and the USA.

Main report continues after centrefold supplement...

Five years of progress

To mark its fifth anniversary, the PRI Initiative has taken a snapshot of the key findings of its early surveys compared to the 2011 responses*. We also have asked signatories that have been part of the PRI network for five years and who were represented at the PRI launch in April 2006 to comment on how their responsible investment activities had progressed since then.

Percentage of signatories using the Clearinghouse



* *Note that questions asked in the PRI Reporting and Assessment survey have changed since 2007 so comparisons over time in all areas is difficult. Where comparisons for the full five years are not available, an alternative period of time is used.*

RI policy

- RI policy has become a norm among PRI signatories. 67% of IMs and 83% of AOs had an RI policy in 2007. Now, up to **94%** of IMs and AOs have one in place. Among the signatories that joined the PRI at the start, **99%** have an RI policy in place.

Integration

- Integration of ESG factors into investment criteria has seen growth from 4% to **7%** of the total global market of AUM. Integration in the PRI signatory base now represents approximately **US$10.7 trillion**, up from approximately US$3.6 trillion two years ago. Although there has been some progress, there is significant scope for improvement.

Active ownership

- In 2007, about half of the signatories who participated in the survey set engagement objectives to some extent. In 2011, **53%**, **67%** and **78%** of signatories using external managers, internal staff and specialised service providers respectively, set ESG objectives to some extent.
- The proportion of signatories accessing the Clearinghouse has increased from 39% in 2007 to **63%** in 2011. Among the signatories that signed in the first year, this percentage is now **74%**. Overall, the number of signatories joining or leading Clearinghouse engagements has gone from around 80 in the first year to about **300** today.

Demand for corporate ESG reporting

- Among the original set of signatories, the average level of demand for corporate ESG reporting has risen from "small to moderate" in 2007 to **"moderate to large"** in 2011.

Investor transparency

- In 2007, 67% of AOs and 88% of IMs disclosed how RI/ESG issues were integrated into their investment process. By 2011, **93%** of signatories disclosed their integration policy or approach towards integration.
- The percentage of signatories that publicly disclose their full responses to the annual Reporting and Assessment survey on the PRI website has nearly doubled from 25% in 2009 to **44%** in 2011. This represents a growth in absolute numbers of PRI signatories from 35 in 2007 to **241** in 2011.

A signatory perspective on RI

In April 2006, a number of signatories joined the UN Secretary-General, Kofi Annan, to ring the bell at the New York Stock Exchange and formally launch the Principles for Responsible Investment. We asked a few of the organisations present on that day about some of their RI achievements since then and summarise their responses here:

PREVI, Brazil Since 2006 we have…

- Enhanced the scope of our RI activities by incorporating RI practices in PREVI's investment policy across all our asset classes.
- Significantly increased the number of international collaborative engagements that PREVI is involved in, thanks largely to the platforms provided by the PRI.
- Helped develop the Brazilian PRI network. The network is now one of the main reference points for the discussion and implementation of responsible investment in Brazil.

Christian Super, Australia Since 2006 we have…

- Successfully introduced corporate engagement to our suite of RI tools with a strong outcome in engagement with a local consumer staples company in relation to imports from Western Sahara.
- Added Clean Technology, Renewable Energy, Microfinance, Social Infrastructure, Community Finance and Sustainable Agriculture to our portfolio.
- Employed an internal resource fully devoted to RI, ESG research and consideration of ethics within the Fund's investments.

Bâtirente, Canada Since 2006 we have…

- Built capacity in our efforts on shareholder engagement (Principle 2), one of our two priorities when we signed the PRI. Five years on it is satisfying to look at our latest PRI Individual Feedback Report (a valuable tool by the way!), and learn that we are performing at a high level in this Principle.
- Successful engagements have seen investee corporations become EITI supporters, adopt sustainable forestry practices, disclose their exposure to climate risk and increase their distribution of fair trade or sustainable fisheries products. A recent engagement with Talisman Energy, in collaboration with a fellow PRI signatory, has led the oil and gas company to improve its community relations policy, in particular with regards to indigenous peoples, thereby enhancing the company's access to resources.
- Another priority was to convince external asset managers to integrate ESG factors into their investment processes (Principle 1). We have since persuaded five of our ten asset managers to become signatories, and we recently embedded ESG integration in our performance monitoring process for external asset managers.

1. General Board of Pension and Health Benefits, US Since 2006 we have…

- Conducted a comprehensive and strategic review to improve our ESG criteria. The review developed a business case to support ESG engagements, enhanced staff training using the Responsible Investment Academy, and explicitly adds ESG criteria to core documents like our Request for Proposals (RFPs).
- Helped persuade over 56% of our investment managers to become PRI signatories.
- Conducted a search for a fixed income investment manager which for the first time ever required a financial professional with specific expertise on the integration of ESG into investment analysis.

2. CPP Investment Board, Canada Since 2006 we have…

- Developed and continue to expand our engagement programme. This includes being an active participant in the Canadian Coalition for Good Governance, engagements on executive compensation, as well as engaging directly with companies in Canada and globally on environmental and social issues in the extractive industries and helping the CDP raise response rates among Canada's 200 largest companies by market capitalisation (from 59% in 2006 to 73% in 2010). We have also participated in many collaborative engagements through the Clearinghouse.
- Continued to expand our integration activities across our investment teams which are supported by the use of both internal and external research on ESG issues that are relevant to investment decisions.
- Led on transparency of our responsible investing activities including publishing how we intend to vote prior to meetings and preparing an annual Report on Responsible Investing.

3. Fonds de réserve pour les retraites (FRR), France Since 2006 we have…

- Fully restructured our RI strategy around the six Principles and modified our organisation to allow implementation. This includes the creation of an internal RI unit and a new sub-committee of the Supervisory Board dedicated to monitoring ESG risks and selecting external service providers.
- By far the most important change is the adaptation of our manager selection and monitoring processes to ensure that our RFPs are compatible with the PRI. These changes helped FRR win the prize for French Responsible Investor of the Year 2010.
- Decided to take part in engagement activities, in large part thanks to the PRI's international network and efficient tools (PRI in person, PRI working groups, Clearinghouse and so on).

5. Munich Re, Germany Since 2006 we have...

- Adopted a best-in-class approach at our asset management business (MEAG) that prioritises companies with the best sustainability performance. MEAG has achieved a sustainable investment rate of 80% in the asset classes of shares, government bonds, covered bonds and corporate bonds.
- Launched the MEAG 'KlimaStrategie', which is geared to systematic investment in companies that provide solutions to climate change mitigation and adaptation, and 'MEAG FairReturn', which is largely made up of European securities selected on the basis of taking sustainability criteria into account.
- In 2010 we introduced RENT: the 'Renewable Energies and New Technologies' investment project. This plans to invest €2.5bn over five years in sustainable investments such as wind farms and solar farms that offer attractive returns at an acceptable level of risk.

7. Thai Government Pension Fund
Since 2006 we have...

- Developed proxy voting guidelines that include governance issues and used them to exercise the fund's ownership rights.
- Raised awareness of responsible investment and ESG integration on the Thai capital market.
- Set a strategy for the fund to engage with listed companies on ESG issues.

4. Caisse des Dépôts, France Since 2006 we have...

- Greatly benefitted from being part of the PRI's international network. Our exchanges with other signatories have helped us learn how peers address the same challenges that we face and so enables us to deploy RI in a broader fashion, through all asset classes.
- Valued the pragmatic and non-prescriptive nature of the Principles. For instance, Caisse des Dépôts tends to engage in a bilateral manner, yet observing the collaborative initiatives in the Clearinghouse is still precious to us. The annual PRI survey has been a strong incentive for progress and we appreciate receiving the annual individual feedback reports, in confidence each year. They compare our RI performance against most comparable peers and give us valuable suggestions on areas for improvement.
- Committed itself to promoting the Principles within our own Group as well as in the market. The main investment entities of the Group have now become PRI signatories themselves and we work with all the relevant teams in the Group to create common tools and promote RI. As a committed long-term investor, we are convinced that the challenge for responsible investors is to incorporate the long-term investment perspective, to contribute to economic stability and growth in a sustainable manner.

6. Folksam, Sweden
Since 2006 we have...

- Been able to work more closely with other investors from across the globe thanks to the PRI, and have achieved better results than we could have achieved on our own. The PRI has provided not only Folksam but the world's investors with a single international framework regarding responsible investment and this is one of the main reasons to the growing interest for RI within the financial industry.
- Received invaluable advice and expertise from the brilliant staff at the PRI Clearinghouse on many engagements.

8. Nathan Cummings Foundation, US
Since 2006 we have...

- Significantly expanded the reporting of our responsible investment activities including reporting on RI activities in our annual report and on a dedicated section of our website. We also publish our annual PRI assessment results. In 2010 we published our first stand-alone responsible investment report.
- Stepped up our efforts to collaborate with other investors. As an active participant in the PRI's Small Funds Initiative, we have used collaborative forums such as the Clearinghouse and the American Corporate Governance Institute (ACGI) to nearly double the number of companies engaged with in 2010, enabling us to have an impact beyond our size.

Working with signatories to implement the Principles: Case studies from around the world

Netherlands

PGGM is a Dutch pension fund administrator with origins in the care and welfare sector. It provides pension management, integrated asset management, management support and policy advice for pension funds. PGGM has made use of the PRI in several ways since the latter's inception in 2006. The PRI Clearinghouse has provided a connecting framework for PGGM's engagements, while the asset class-specific work streams have helped with the implementation of ESG. Furthermore, the PRI provides a platform to engage with the industry as a whole, which has helped PGGM build its business case with other investors and fund managers.

PGGM's responsible investment (RI) activities and reporting have progressed significantly in five years. The RI team has grown from two people in 2006 to 11 in 2011, emphasizing the fact that PGGM does not see RI as a peripheral, separate activity within the company. On the contrary, RI has been integrated across the board, from engagement and voting to integration of material ESG factors into investment decisions. In real estate, for example, dialogue between the RI team and the investment teams on voting and speaking at AGMs has grown significantly. The listed and private real estate teams have also drawn up a 'responsible real estate' policy and cooperated with APG, USS and the University of Maastricht to found the Global Real Estate Sustainability Benchmark.

In private equity, PGGM has worked with AlpInvest to develop a CSR policy and has supported the first version of the PRI Responsible Investment in Private Equity Guide for Limited Partners. PGGM also runs a project to deepen ESG integration across all other asset classes, despite the general lack of research on ESG factors or the establishment of relevant ESG metrics.

For all the significant progress made so far, PGGM recognizes that this is still the pioneering era of responsible investing and that the company still has work to do to achieve its long-term ambition of full ESG integration across all its investment activities.

South Africa

The Government Employees Pension Fund (GEPF) has been publicly active in a number of international and local initiatives to promote responsible and developmental investment. A major focus has been a collaborative engagement with other investment stakeholders in South Africa to address the inclusion of ESG factors in the South African regulatory landscape applicable to institutional investors, namely Regulation 28 of South Africa's Pension Funds Act and the Code for Responsible Investing in South Africa (CRISA), a voluntary investor code.

As Africa's largest pension fund, the GEPF collaborated with other signatories to launch the PRI South Africa Network in 2009. The local network now boasts 34 signatories and three working groups focusing on awareness and recruitment, engagement and integration of the Principles in South Africa.

The GEPF's Responsible Investment Policy, launched in March 2010, commits the GEPF to active ownership practices and to the integration of ESG across the GEPF's investment portfolio, while its Responsible Investment Policy highlights the GEPF's commitment to delivering healthy returns for its members and pensioners, at the same time as directly contributing to the economic development of South Africa.

In April 2011, the GEPF launched the Developmental Investment Policy which aims to address some of the socio-economic challenges facing South Africa. This policy commits the GEPF to actively invest in critical economic and social infrastructure – including investments that will help South Africa move towards a green economy and in job creation, enterprise development and broad-based black economic empowerment. These developmental investments will enable the GEPF to achieve a greater level of diversification within the investment portfolio, while generating long-term, sustainable returns to match the duration of the fund's actuarial liabilities.

The GEPF, with the support of the PRI South Africa Network, spearheaded the establishment of a committee tasked with developing a Code for Responsible Investing in South Africa (CRISA) which was launched in July 2011. At the heart of CRISA is recognition of the importance of integrating sustainability issues, including ESG, into long-term investment strategies. These issues become more important in a market such as South Africa, which is predominantly driven by a non-mandatory market-based code of governance for companies (King Report on Corporate Governance), as opposed to legislation.

This year, the GEPF has increased internal capacity with regards to ESG implementation with the appointment of an ESG manager and the establishment of an ESG working committee comprising senior investment professionals from the GEPF and its asset manager, the Public Investment Corporation.

US

Calvert Investments has been a strong supporter of the PRI since signing in 2006. Its core commitment is to further sustainable and responsible investing in the US and globally. Since joining the PRI it has launched new initiatives that reflect and reinforce the growing mainstream acceptance of ESG-focused investment.

In 2008, Calvert launched a new "enhanced engagement" approach, SAGE, involving strategic engagement with companies that may not meet certain standards but have the potential to improve through focused dialogue around specific objectives. So far, Calvert has engaged with 25 companies using SAGE, to achieve a number of objectives. In 2010, for example, Calvert's initiatives prompted Devon Energy to release an Indigenous Peoples Policy; Newmont Mining to endorse extractives revenue disclosure legislation; and Wal-Mart to release updated charter language for its board's Compensation, Nominating and Governance Committee, which now includes oversight of social, community and sustainability initiatives.

Calvert engages with dozens of companies annually, including those held in the passively managed Calvert Social Index Fund, through direct dialogue with senior management, as well as through multi-stakeholder initiatives which seek to set and lift standards for entire industries. Engagement has encompassed board diversity, corporate governance, climate change, extractives revenue transparency and human rights. Calvert engages companies directly one-on-one and through wider investor networks such as the PRI.

Calvert has also been involved in broader initiatives including:

- Service as Co-Chair of the UNEP-FI Asset Management Working Group;
- Service as Co-Chair of the Emerging Markets Disclosure Project;
- Expansion of the Calvert Women's Principles to form the basis of the Gender Equality Principles with the city of San Francisco in 2008 and the Women's Empowerment Principles with the UN Global Compact and UN Women in 2010.

In 2009, Calvert began to develop its approach to ESG integration across equity and fixed income investments – an effort promoted by the PRI. In 2010, it created a green bonds team to identify corporate sustainability leaders with appealing credit and valuation profiles, as well as sourcing new green project bond issues. In May 2011, Calvert launched a strategy to invest in green bonds that provide capital to projects addressing global environmental challenges.

Principle 5:

We will work together to enhance our effectiveness in implementing the Principles

This principle encourages signatories to work together in order to increase the influence that they can bring to bear on companies, policy-makers and other stakeholders on relevant ESG issues.

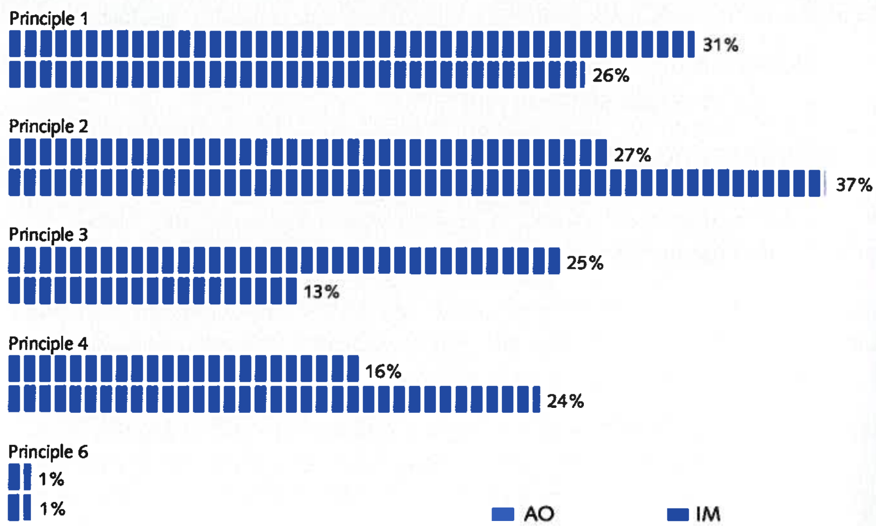
Introduction

It is clear that most signatories now recognise the need for collaboration. For the second consecutive year a total of 90% of signatories collaborated with other investors on responsible investment activities. Of these, 35% took a leadership role within the collaborations.

Increasing collaboration on Principle 3

Most collaboration takes place on either active ownership (Principle 2) or ESG integration (Principle 1), although the number of AO signatories working together on ESG disclosure (Principle 3) rose from 10% to 13% this year. One in four IMs now collaborates on Principle 3. A good example of how signatories work together in this is area is the Emerging Markets Disclosure Project featured in the box opposite.

Figure 22:
Principles that signatories cooperate most on



GPS
Principle 1
Principle 2
Principle 3
Principle 4
Principle 5
Principle 6

Principles in action
Collaborating on corporate ESG disclosure

The Emerging Markets Disclosure Project (EMDP) is a strong example of the growing trend for collaboration on Principle 3.

The project started in 2008 with a goal to assess and improve corporate ESG reporting in emerging markets. The initiative is led by a number of investors with the coordination and support of Social Investment Forum (SIF), **SIF's International Working Group (IWG)** and the PRI Secretariat.

EMDP commissioned a number of reports to collect benchmark data on sustainability reporting in emerging markets, and also gathered together investors managing over US$ 1 trillion of assets.

Four investor working groups have now been established in Brazil, Indonesia, South Africa and South Korea, each consisting of local coalitions of investors that engage with local companies and other stakeholders in an effort to mainstream higher levels of ESG disclosure.

In Brazil, a conference organised by the EMDP local team and Bovespa in collaboration with GRI in July 2010 attracted 56 participants from 38 companies and focused on the merits of issuing sustainability reports in compliance with GRI guidelines. In Indonesia, local and foreign investors collaborated on a research project to assess the ESG practices of listed companies on the IDX (Indonesian Stock Exchange) and to understand the role financial institutions, regulators and NGOs can play in this challenge.

In South Korea, the team developed a scorecard that all of the country teams use in evaluating companies and completed its first benchmark report in 2010. In May, it engaged ten companies in discussions about the report's findings and co-hosted an event with the Korean PRI network to raise awareness of the project with local stakeholders.

In South Africa, the investor group has set a higher bar for company engagement and has chosen to reach out to companies that were not included in the Johannesburg Stock Exchange's SRI index, that are not addressing significant sustainability challenges or did not respond to the Carbon Disclosure Project's latest survey. As a result of this outreach, two of the six companies engaged were included in the JSE SRI index in December 2010.

> **More information on EMDP is available on the PRI website**

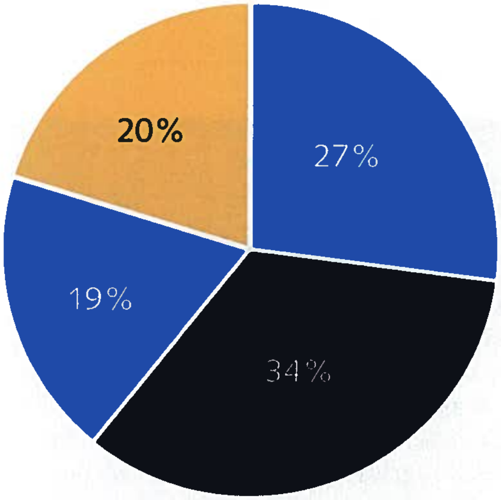
PRI Clearinghouse remains a key tool for collaboration

The survey found that 63% of respondents used this service, with more than 116 signatories reporting using it for the first time this year. For those using it, the Clearinghouse serves as a learning tool (96%), a place to join engagements initiated by others (42%) and a place to initiate an engagement (14%).

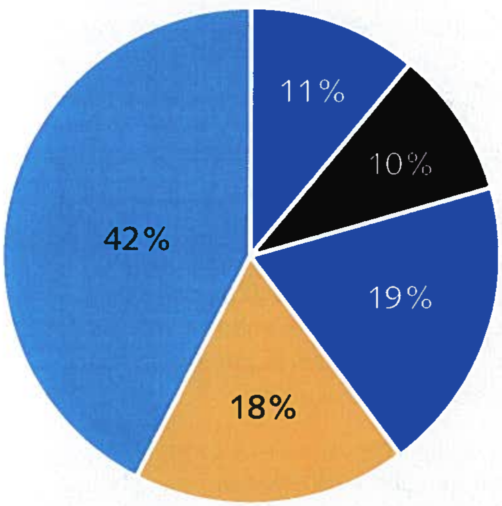
One in four signatories used the Clearinghouse to engage on environmental issues and over 20% in regard to corporate governance issues (See Figure 23). Over 40% of the collaborative engagements related to shareholder resolutions and there was a roughly equal split this year in the number of 'single-contact' engagements and 'comprehensive' engagements facilitated by the Clearinghouse.

> **For more on the Clearinghouse see the PRI Annual Report 2011**

Figure 23:
Topics and types of engagement on the Clearinghouse this year



Engagement issues
- Corporate Governance
- Environmental issues
- Social issues
- ESG



Types of engagements
- Exploratory discussion
- Single-contact engagement
- Comprehensive engagement
- Public policy and systemic issues
- Shareholder resolution

A world of collaboration

More signatories are also participating in a range of other global initiatives related to responsible investment. These include initiatives that offer the opportunity to collaborate on single issues or specific sectors and those that are targeted at the financial sector as a whole. In total, 84% of signatories have joined one of these RI-related initiatives.

For the second consecutive year the Carbon Disclosure Project was the most popular of these initiatives in terms of numbers of signatories participating. This year, the proportion of signatories collaborating in various regional sustainable investment forums (SIFs) and in the Institutional Investors Group on Climate Change (IIGCC) increased not only in number, but also in percentages of signatories participating. UNEP FI and the Investor Network on Climate Risk also saw an increase in the number of PRI signatories as part of the initiatives.

Table 4: Membership of other collaborations

Initiatives where more than 50 PRI signatories participated	Number of signatories 2010	% of total signatories 2010	Number of signatories 2011	% of total signatories 2011
Carbon Disclosure Project (CDP)	215	50%	255	47%
Regional Social Investment Forums	100	23%	139	26%
United Nations Environmental Program Finance Initiative (UNEP FI)	80	18%	99	18%
International Corporate Governance Network (ICGN)	80	18%	96	18%
Institutional Investors Group on Climate Change (IIGCC)	52	12%	84	16%
Extractive Industries Transparency Initiative (EITI)	58	13%	69	13%
Investor Network on Climate Risk (INCR)/CERES	43	10%	52	10%

Principles in action
German asset owners build wider collaborations across the country

Two German banks with experience of implementing the PRI, KfW and LBBW, have worked together on initiatives to spread ideas on responsible investment in their country.

KfW, a signatory to the PRI since 2006, invited the 17 German signatories to the inaugural meeting of a German PRI network on 27 May 2011 in Frankfurt. The network is designed to promote exchange regarding the implementation of the six Principles and to jointly advance the topic of "responsible investment".

Participants to the initial meeting discussed issues of common interest, with KfW presenting its approach to engagement as a fixed income investor, followed by a discussion of problems related to this topic. The network agreed to meet two or three times a year, with an agenda based on current issues as they arise.

Meanwhile, LBBW a fellow German asset owner has been building links between VfU (Verein für Nachhaltigkeit und Umweltmanagement in Finanzinstituten e.V.) – the most important mainstream sustainable finance initiative in Germany – and the PRI. With the founding of the German PRI Network and the establishment of a PRI representative for Germany, LBBW hopes that more German financial institutions will sign the PRI and that there will be close collaboration between the two initiatives.

Principles in action
Collaboration on corruption and other ESG issues

NGS Super is a small to medium-sized fund with more than Aus$ 4 billion in assets and three investment staff. The Fund has a long-held commitment to the incorporation of ESG principles into its investment processes, and has worked hard with its investment managers to seek to ensure that they are taking full cognisance of the opportunities and risks associated with ESG.

However, NGS Super is well aware that alone, it has very little chance of changing corporate behaviour for the long-term benefit of its members. Instead, collaboration with other like-minded investors is seen as by far the most effective means to achieve this. Collaborations NGS Super is part of include: for corporate governance and ESG engagement, the Australian Council of Superannuation Investors; for climate change, the Investor Group on Climate Change Australia and New Zealand and the Carbon Disclosure Project; and for improving broker research and to encourage greater reinforcing feedback to companies, ESG Research Australia.

One ESG factor of significant concern is corruption, particularly given the substantial emerging markets and extractive industries exposures in the NGS Super portfolio. Beyond the risks to companies caught up in corrupt behaviour, corruption harms the efficient allocation of resources and economic growth prospects of countries where it is commonplace, reducing investors' prospective returns and limiting opportunities for investment.

For this reason, NGS Super has been a strong supporter of the PRI's anti-corruption collaborative engagement initiative. The initiative has focussed on very large companies who either appear not to have sufficiently robust anti-corruption policies or who do not provide enough disclosure to allow an assessment. A single small investor would have little chance of changing the policies and behaviour of these companies, but with over $1.7trillion of investor assets behind the collaboration there is every chance of success.

Principle 6:

We will each report on our activities and progress towards implementing the Principles

This Principle promotes transparency and encourages signatories to measure and report on how they are putting responsible investment into practice.

Introduction

Calls for the investment community to increase transparency have increased steadily since the global financial crisis of 2008, and this year's survey results show that signatories are responding. For example, 93% of signatories now disclose, at least in part, how they integrate ESG issues into investment processes. This section looks at the different elements that signatories are reporting on and the different ways in which they choose to report, starting with those opting to publish their survey responses in public.

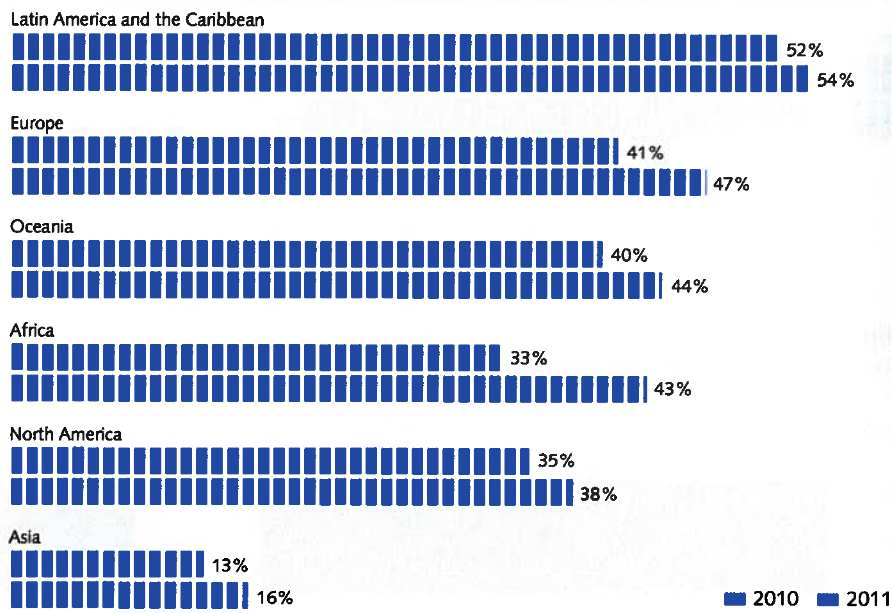
PRI survey an increasingly popular choice as a reporting tool

The PRI survey, on which this report is based, is also designed as an off-the-shelf reporting tool for investors. It is encouraging that 44% of the respondents chose to publish their responses on the PRI website this year, an increase from 40% last year and 25% in 2009.

AOs continue to be slightly more willing to publish their survey responses than IMs, 47% of AOs publish compared with 42% of IMs.

This trend towards transparency has occurred in every region of the world. The biggest growth has come in South Africa with 48% of signatories making their PRI survey responses publicly available, compared with 35% last year. Latin America remains the region with the highest disclosure rate, with 56% of Brazilian signatories publishing their responses. Investor disclosure remains relatively low in Asia (see Figure 24). It is also worth noting that Sweden is the country with the greatest transparency: 79% of signatories now publish their PRI surveys, up from 60% last year.

Figure 24:
Regional breakdown of respondents publishing PRI survey



RI policies go public… and private

A significant number of signatories are making their policies on responsible investment public, including policies on ESG integration, active ownership and voting (see Figure 25). The survey found that:

- 93% of respondents disclose how they integrate ESG issues into their investment processes to some extent, consistent with last year;
- 59% publicly disclose their voting policy on listed equities, up from 55% last year. In addition 19% disclose to client or beneficiaries only, consistent with last year;
- 45% publicly disclose their active ownership policies, consistent with last year. In addition 23% disclose to client or beneficiaries only, up from 17% last year.

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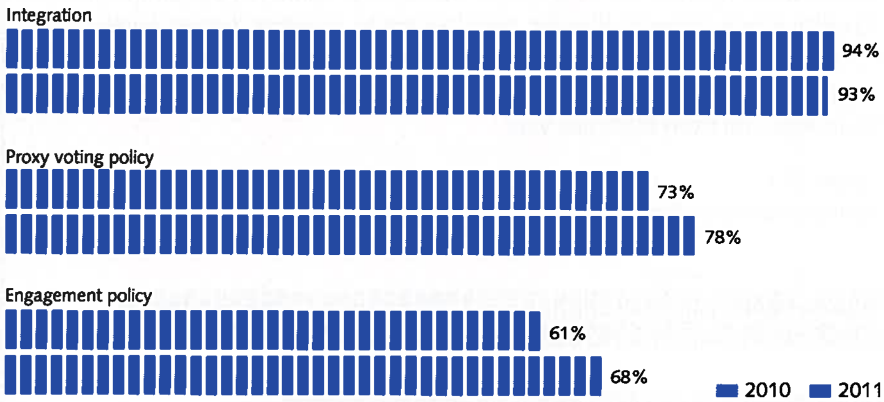
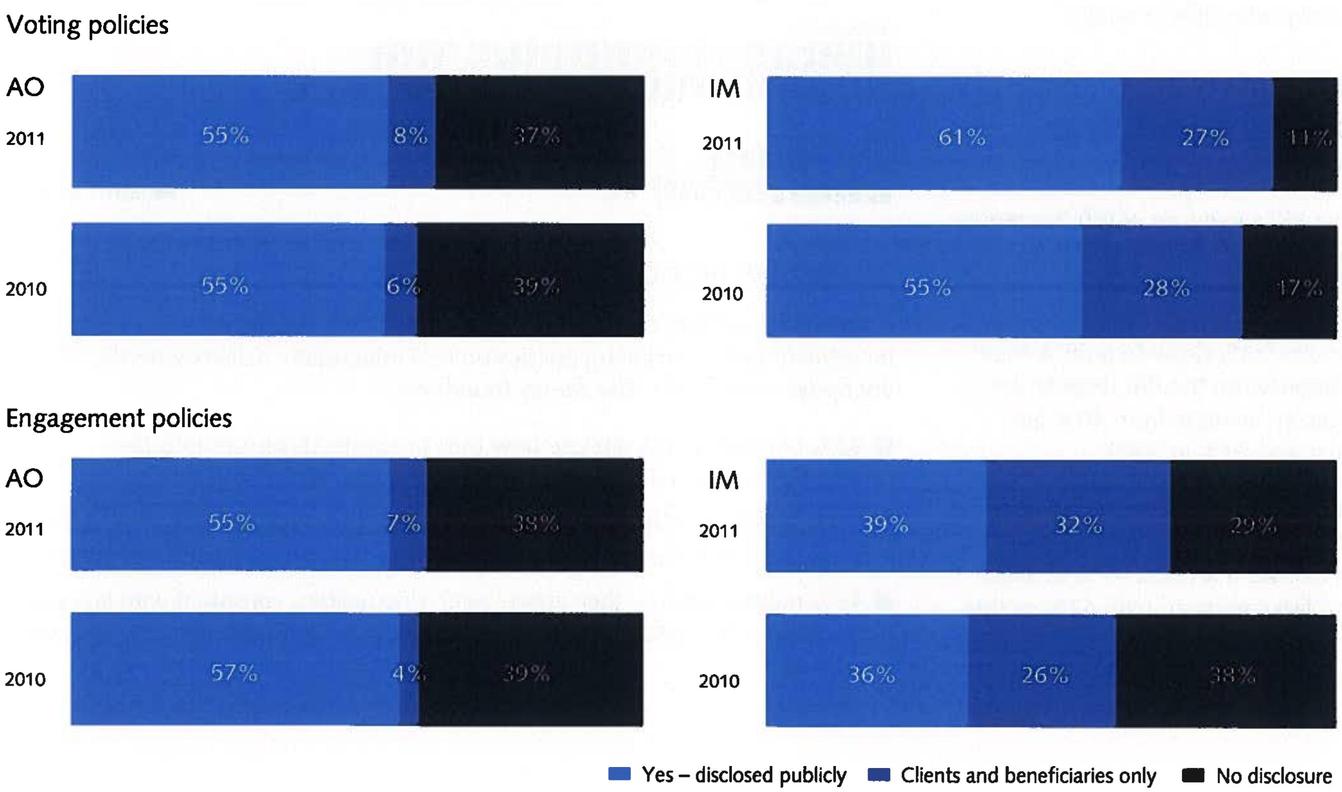
Figure 25:
Signatories' average disclosure rate (publicly and to clients/beneficiaries only), by type of activity



The trend towards public transparency is especially apparent for IMs. The manager community saw an increase from 55% to 61% in the proportion publicly disclosing voting policies and publication of engagement policies increased from 36% to 39%.

Among the AO community the trend has been towards more limited disclosure. The number of AOs making their policies public has stayed the same, or slightly dropped in the case of engagement policies. However, the number of AOs making policies available to beneficiaries rose from 6% to 8% in the case of voting policies and from 4% to 7% for engagement policies (see Figure 26).

Figure 26:
Disclosure of voting and engagement policies



Principles in action
Taking a transparent approach to RI activities

PNO Media is an industry-wide pension fund, based in the Netherlands. It takes an open and transparent approach to responsible investment by communicating its SRI policies to the general public and making its PRI survey response available online.

PNO's policy is based on four pillars: voting on all stocks; engagement with companies that act in violation of the code (see below); exclusion of companies that produce specific weaponry; and investment in areas such as microfinance and social infrastructure. The code itself is enshrined in international organisations and treaties such as the International Labour Organization and the Universal Declaration of Human Rights.

A dedicated public website for responsible investment has been created as the best way to keep participants informed. The website shows PNO Media's full voting records and gives summary reports on its engagements. Individual companies may not be named for confidentiality reasons, but there is information on specific SRI issues surrounding companies as well as developments on international regulations. The website also functions as a data centre and issues news statements.

A downloadable quarterly report prepared in partnership with fellow signatory Hermes Equity Ownership Services offers more detailed information on voting and engagement. This includes measuring progress on engagements and case studies on current topics such as the impact of oil extraction in tar sands areas, or ESG integration in private equity.

> **More Information:** www.pnomediaverantwoordbeleggen.nl

On the record: More voting results published, and explained

This year also saw a slight increase in the number of signatories that publish how they voted – for example, what resolutions they supported and whether their vote was for or against management.

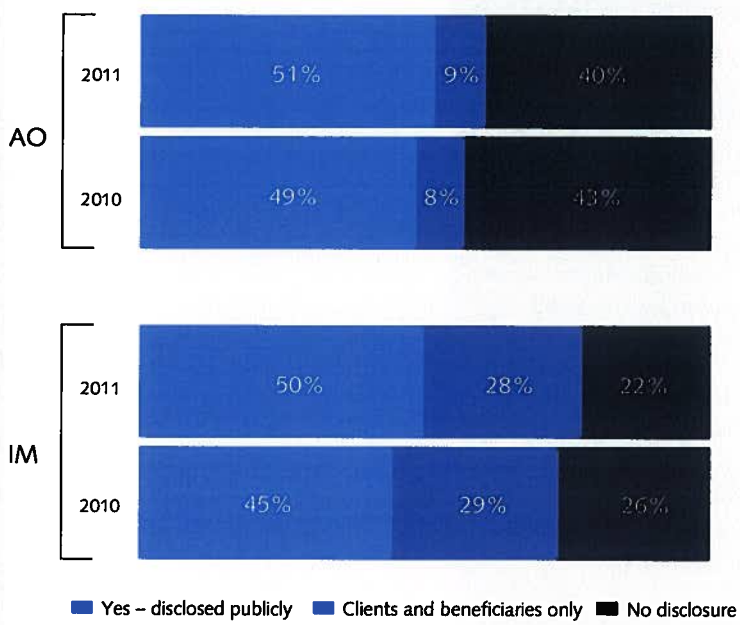
- The proportion of IMs publicly disclosing their voting record rose from 45% to 50%;
- The proportion of AOs publicly disclosing their voting record rose from 49% to 51%.

In this area it is interesting to note that 40% of AOs did not choose to disclose their voting records either publicly or to beneficiaries, a much bigger proportion than in the IM community where only 22% do not disclose either publicly or to clients (see Figure 27).

Publicly explaining the rationale behind voting decisions is an important channel of communication through which responsible investors can convey their views to investee companies and other stakeholders.

The total number of signatories publicly explaining at least some voting rose from 44% to 48%. Against this, however, there was also a slight decrease in the proportion of signatories that explained all their votes, from 24% to 22% this year.

Figure 27:
Disclosure of voting records



Of the signatories that disclose their voting record, around half (47%) of all signatories disclose annually and 35% disclose quarterly, others disclose continually, for example before meetings and shortly after votes are cast.

Slight increase in disclosure of engagement activities

Disclosing engagement activities can sometimes be problematic for investors as it might affect the success of the engagement itself. However, public disclosure does not need to breach confidentiality. Investors can report on the nature of their activities and the outcomes without mentioning specific names and other sensitive information. This is confirmed by the fact that 74% of signatories state that they disclose their engagement and other (non-proxy voting) active ownership activities to some extent, a slight increase from 71% last year.

In this area there was a notable increase among IMs that have participated in the PRI survey for two consecutive years. Over a third (35%) of these managers now disclose engagement activities to a large extent, compared with 26% last year. AOs responding to the survey both years follow this trend but to a smaller extent (34% compared with 31% last year).

Principles in action
Reporting on Responsible Property Investing (RPI)

As a signatory to the PRI and active member of the UNEP FI Property Working Group, Bentall Kennedy ensures that assessment and reporting on its RPI investments occurs from the point of initial investment and throughout the life of the operating asset.

When a new asset is acquired, its current, planned or expected RPI performance is assessed in areas of sustainable design, construction and operations emphasising energy and water efficiency, waste management, healthy indoor environmental quality, and sustainable locational features like transit orientation and provision of open space. Bentall Kennedy reports on these aspects to its clients and identifies specific actions and strategies including whether the asset is well positioned to achieve third-party certifications in the US and Canada such as: LEED, BOMA BESt and ENERGY STAR.

For existing assets Bentall Kennedy uses Eco Tracker, a proprietary measurement, verification, budgeting and reporting tool, to understand, manage and communicate the energy, water, waste and emissions performance of its managed portfolio, and validates performance through the third-party certifications as well.

Bentall Kennedy understands the value of managing its property portfolio with a long-term view that incorporates RPI goals on behalf of its clients. It also understands that transparency is important and as a result discloses its carbon emissions with CDP, makes publicly available its PRI survey and reports on overall ESG performance using the GRI reporting standards for its annual Corporate Responsibility Report, available on the company's website.

Table 5:
Examples of responsible investment reports

The table below offers examples of different types of responsible investment disclosure by signatories, including different types of content and format. The selection aims to offer examples from a diverse mix of countries and investor types, although for the purpose of this document items written in English were favoured. If you are reading the digital version of this report, then click on the image to see the online version of each report.

REPORTS DISCLOSING POLICY AND STRATEGY

General RI policy and strategy documents

Signatory	Newton Investment Management (UK) **www.newton.co.uk**	PGGM Investments (NL) **www.pggm.nl**	Norwegian Ministry of Finance on behalf of the Norwegian Government Pension Fund Global (NOR) **www.regjeringen.no**
General RI policies and strategies			
Description	These comprehensive responsible investment policies and strategies outline commitments and procedures in areas such as: • investment research and integration; • voting and engagement; • reporting on undertaken RI activities; • internal governance and management. Separate polices for 'E', 'S' and 'G' might also be outlined. Structure might follow PRI's six Principles.		

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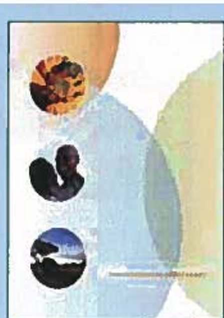
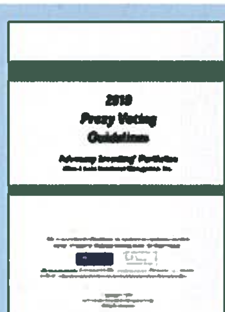
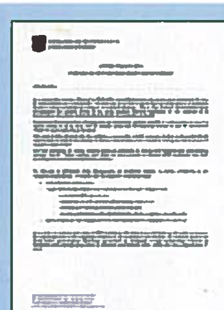
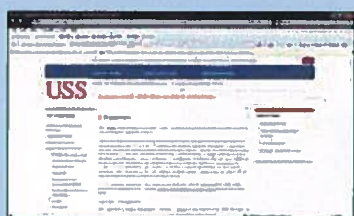
Documents relating to ESG incorporation policies and/or approach

Signatory	Government Employees Pension Fund of South Africa (ZA) www.gepf.co.za	SNS Asset Management (NL) www.snsam.nl	StatewideSuper (AUS) www.statewide.com.au
			
Description	These define investment principles and the consequences if companies violate any of these. Also details about ESG integration approaches in asset classes, methodologies and lists of criteria when selecting holdings.		

Documents relating to voting policy and/or guidelines

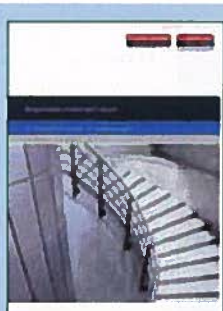
Signatory	Marc J Lane Investment Management Inc. (USA) www.marcjlane.com	Edmond de Rothschild Asset Management (FR) www.edmond-de-rothschild.com	Element Investment Managers (ZA) www.elementim.co.za
			
Description	These outline how fundamental voting rights are managed and exercised and how conflicts of interests are being addressed. Documents can also include guidelines of what the investor supports and opposes with regards to ESG issues.		

Documents relating to engagement policy and/or guidelines

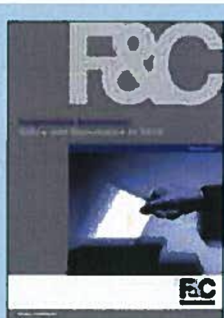
Signatory	Universities Superannuation Scheme (UK) **www.uss.co.uk**	SAM Sustainable Asset Management AG (CH) **www.sam-group.com**	Robeco (NL) **www.robeco.com**
			
Description	These policies outline the engagement philosophy, determining factors for including companies in engagement activities and details of how engagements are prioritised.		

REPORTS DISCLOSING RESPONSIBLE INVESTMENT ACTIVITIES

Annual RI Reports

Signatory	Colonial First State Global Asset Management (including First State Investments) (AUS) **www.cfsgam.com.au**	The Co-operative Asset Management (UK) **http://co-operativeassetmanagement.co.uk**	Canada Pension Plan Investment Board (CAN) **www.cppib.ca**
Annual RI Reports			
Description	These are detailed reports highlighting main RI activities during the last calendar or fiscal year. The reports often include both quantitative and qualitative information about RI activities undertaken in different asset classes. Some reports are structured in accordance with PRI's six Principles.		

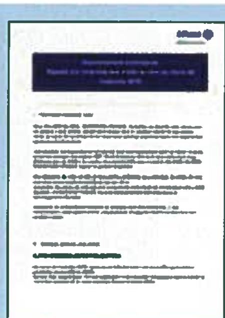
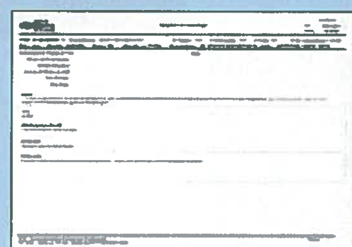
Documents on active ownership activities

Signatory	F&C Asset Management (UK) www.fandc.com	Natixis Asset Management (FR) www.am.natixis.com	AXA investment managers (UK/FR) www.axa-im.com
Proxy voting reports			
Description	These include proxy voting guidelines, shareholder resolution filing activities and the status/outcomes of resolutions		

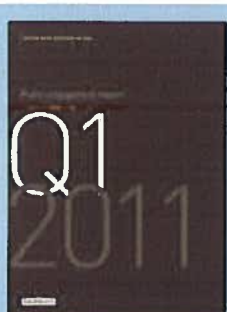
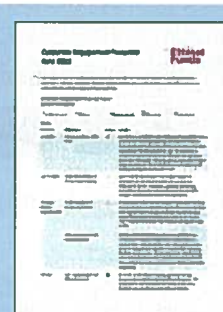
Proxy voting records

Signatory	Standard Life Investments (UK) www.standardlifeinvestments.com	British Columbia Investment Management Corporation (CAN) www.bcimc.com	Aberdeen Asset Management (UK) www.aberdeen-asset.com
			
Description	These include details on each individual record or aggregated summaries of proxy voting activities. The explanation for each vote might also be disclosed. Signatories report anywhere from a monthly to annual basis using dedicated reports or online tools.		

Proxy voting records

Signatory	AllianzGI Investments Europe, in French (FR) www.allianzgi.fr	PREVI – Caixa de Previdência dos Funcionários do Banco do Brasil, in Portuguese (BRA) www.previ.com.br	KLP, in Norwegian (NOR) www.klp.no
Proxy voting records in local language			
Description	Many signatories disclose their proxy voting records in their local language.		

Engagement activity reports

Signatory	Hermes Fund Managers Limited (UK) www.hermes.co.uk	Dexia Asset Management (FRA) http://sri.dexia-am.com	NEI Investments (CAN) www.neiinvestments.com
			
Description	These present engagement activities undertaken by the investor with companies or policy makers, in collaboration with other investors or engagement through collaborative initiatives.		

About the respondents

This section provides a snapshot of the investors that responded to the PRI Reporting and Assessment process this year and on whose results this report is based. Details on the methodology of the survey can be found in Appendix 1.

More than 500 signatories respond

The number of PRI signatories continues to grow and so does the number completing the annual survey. This year's survey was completed by 545 signatories. Although due to late submissions or concerns regarding data quality, this report has been based on the responses of 539 signatories in total.

At the time of writing[15] this represented 59% of total signatories. The survey is mandatory for all asset owner and investment manager signatories but is not completed by professional service provider signatories. Additionally those investors that became signatories to the PRI after 1 January 2010 are given a year's grace so were not required to complete this year's survey. It is worth noting that of the group of signatories not required to complete the survey a total of 76 organisations still did so voluntarily.

This year's sample included 155 organisations that completed the survey for the first time. This relatively high number of new respondents had a significant impact when trying to draw comparisons against last year, and hence why throughout the text some separate analysis has been done on results that relate only to signatories that have completed the survey for two consecutive years.

Total assets under management for all respondents reached US$ 29.6 trillion, an increase of 29% on last year. Within this total around US$ 3.9 trillion are assets that may be 'double-counted' as both asset owners and investment managers are responding signatories.

Table 6: Signatory response rates for 2011 and 2010 surveys as of 11th July 2011

2011	Signatories as of 11th July 2011	Invited	% of signatories in 2011	Responded[16]	% of invited	Not responded; grace period	% of invited	Not responded at risk of being delisted[17]	% of invited
AO	236	220	93%	198	90%	12	5%	10	5%
IM	515	469	91%	347	74%	81	17%	41	9%
TOTAL	**751**	**689**	**92%**	**545**	**79%**	**93**	**14%**	**51**	**7%**
2010	**Signatories as of 11th July 2010**	**Invited**	**% of signatories in 2010**	**Responded**	**% of invited**	**Not responded; grace period**	**% of invited**	**Not responded delisted**	**% of invited**
AO	210	193	92%	170	88%	23	12%	0	0%
IM	424	347	85%	263	76%	74	21%	10	3%
TOTAL	**634**	**540**	**85%**	**433**	**80%**	**97**	**18%**	**10**	**2%**

15. 11 July 2011

16. The overall response rate includes submissions from signatories who are otherwise not included in the analysis presented in this report because we could not guarantee the data quality.

17. At the time of writing the delisting process is not finalised so the actual number of delisted signatories is unknown. The final per cent will be higher this year mainly as a result of the introduction of mandatory fees from April 2011.

A representative sample

IMs represent 64% of the total respondents and AOs 36%. This is consistent with last year and corresponds to the current make-up of PRI investor signatories as a whole, which at the time of writing constituted 69% IMs and 31% AOs.

The nationalities of respondents also corresponded with the figures for the total number of PRI investor signatories. Around half of total respondents came from Europe with Oceania and North America each comprising 18% of respondents (see Figure 28).

Respondents from Europe also account for over 50% of the total AUM (see Figure 29). North America and Asia account for 30% and 10% of the total AUM respectively, and these two are also the biggest regions in terms of the average AUM for respondents. Another point of note is that although Oceania accounts for 18% of total responses, it only represents 3% of total AUM.

On a country level, the majority of the responses came from Australia, USA, UK, France and Netherlands (see Table 7). This was consistent with last year. The largest growth in respondents came from France, whose numbers swelled 84% compared with last year and Finland which more than doubled its representation from 8 to 18 signatories. Important to keep in mind is that the African region are mainly South African signatories and Brazil represents over 90% of the Latin American signatory base.

Figure 28:
Percentage of respondents per region

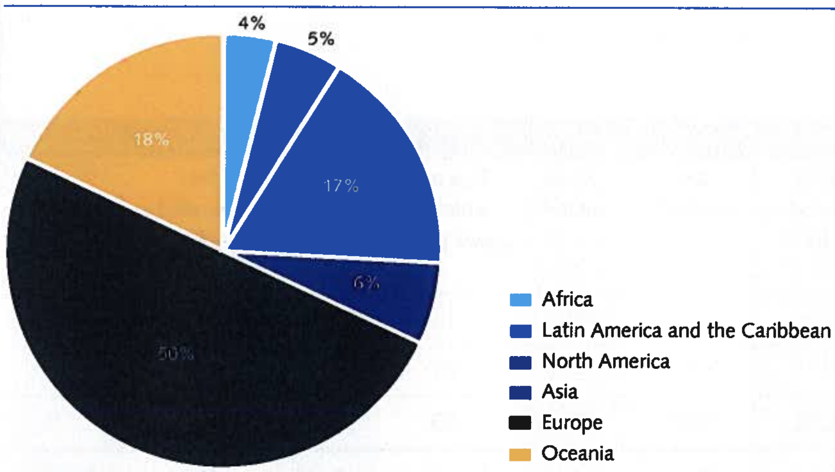


Figure 29:
Percentage of reported AUM per region

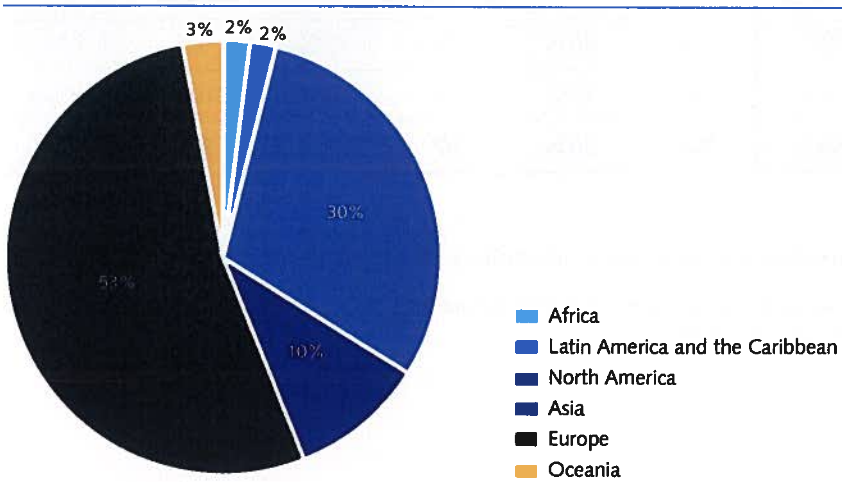


Table 7: Number of respondents per country (for the top 12 countries)

	2010	2011	% Growth
Australia	70	82	17%
USA	64	73	14%
UK	52	71	37%
France	25	46	84%
Netherlands	29	37	28%
Brazil	24	25	4%
Switzerland	19	24	26%
Canada	17	21	24%
South Africa	17	21	24%
Sweden	15	19	27%
Finland	8	18	125%
Denmark	15	18	20%

Reflecting mainstream markets

The different types of AOs and IMs responding to the survey are a similar mix to last year.

Among AOs 50% are non-corporate pension funds, 24% are corporate pension funds (see Figure 30). The third biggest category, insurance companies, is relatively small in number of signatories (9%) but they are often larger and therefore represent a significant part of AO AUM.

Within the IM community, 77% are mainstream organisations, slightly more than the 73% from last year. In total, 12% categorise themselves as dedicated 'ethical' or 'SRI' fund managers.

Figure 30:
Breakdown of AOs by category

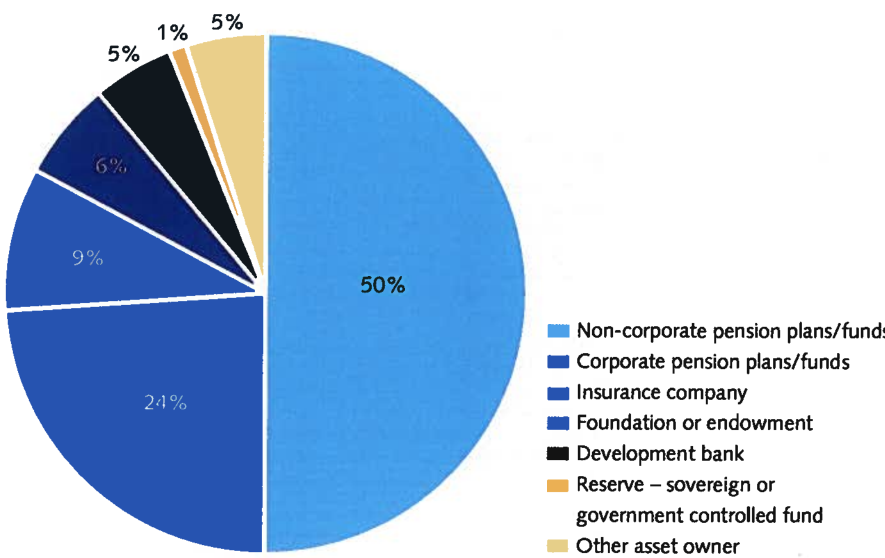
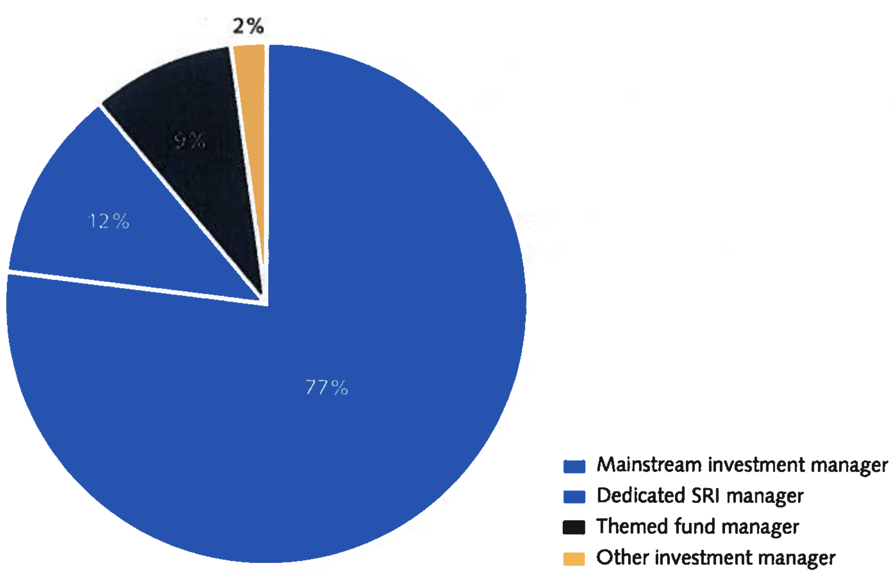


Figure 31:
Breakdown of IMs by category



Most assets stay in-house

A large proportion of signatories use their own internal teams to manage assets. Overall, 87% of assets are managed internally. As expected this is much larger among IMs, with 95% of their assets internally managed. AOs have 60% of funds under internal management, although 93% of AOs have some portion of their funds managed externally. The majority of the internal managed funds for asset owners are fixed income assets managed by the larger pension funds and insurance companies as is shown in more detail later on in this chapter.

Figure 32:
Total AUM (AOs and IMs)

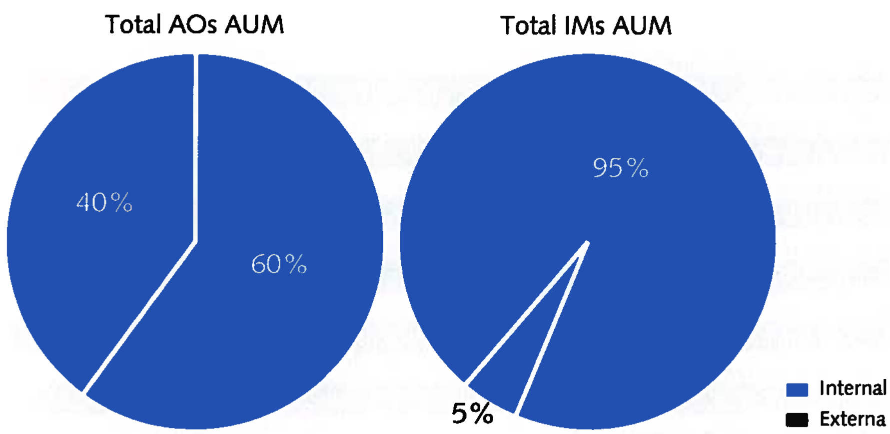
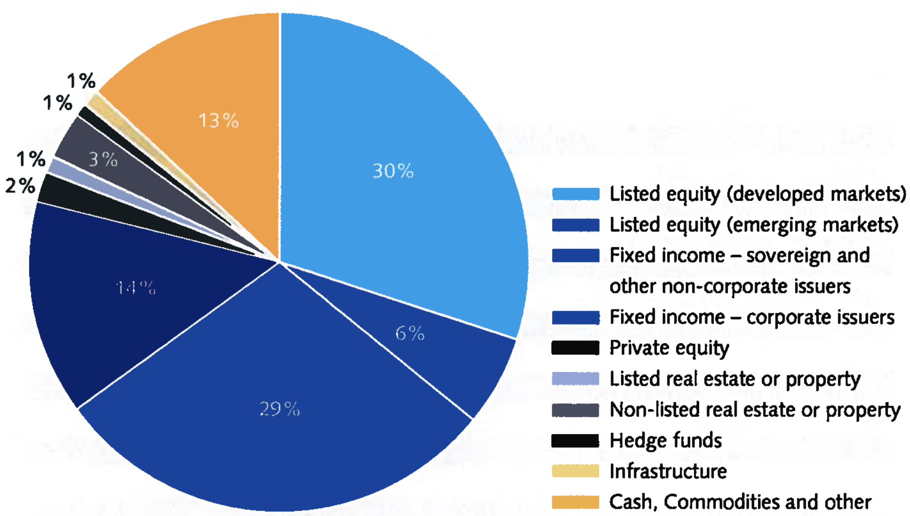


Figure 33:
Total allocation to different asset classes



Increase in passive investments

Passive management continued to grow among the respondents. The survey found that over 20% (US$ 6 trillion) of the total asset mix was managed in this way, last year this was 17% (US$ 4 trillion).

Diversified portfolios with listed equities and sovereign fixed income dominant

In terms of asset mix, investments in developed market listed equities form the largest portion of signatories AUM: around 30% is invested in this asset class (see Figure 33). In total, 73% of the respondents hold this asset class and it is generally their biggest holding.

Fixed income represents the second most prominent investment. 63% of all respondents have fixed income (sovereign and corporate) in their portfolio, with sovereign fixed income more prevalent.

Private equity and non-listed real estate represent only a small proportion of the total AUM of respondents. However, almost half of all the respondents do include these asset classes in their portfolio.

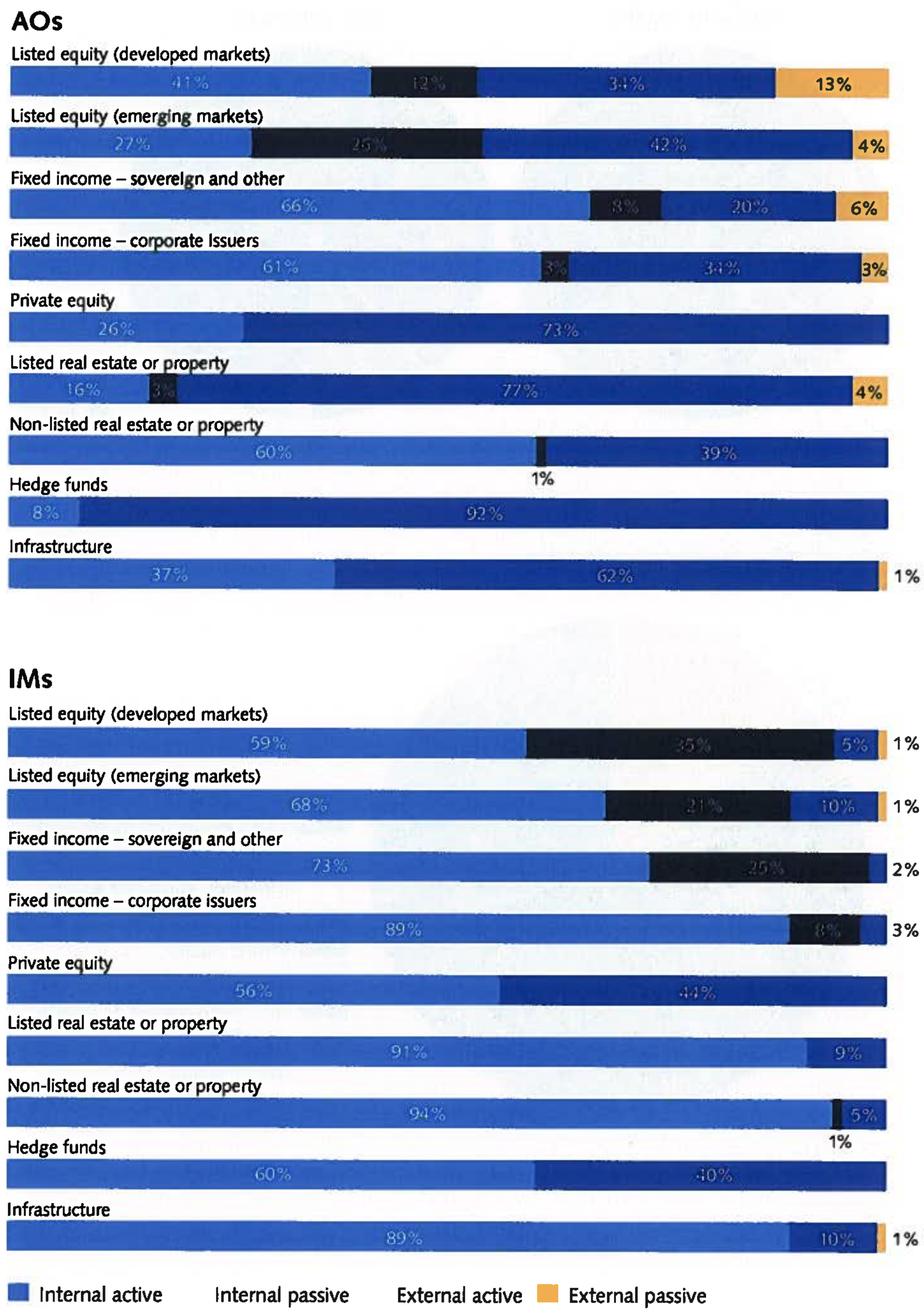
To give a better picture about how the total signatories' AUM are allocated in active and passive portfolios as well as internally and externally managed separate by AO and IM please refer to Figure 34.

The majority of PRI assets are actively managed. For AOs most passively managed assets are invested in listed equities. IMs also have a noteworthy part of passive investments in fixed income sovereign.

Actively or passively, AOs' fixed income assets are managed in-house (74% of sovereign and 63% of corporate bonds) more often than their listed equities (53% of developed market and 54% of emerging market listed equities is managed internally). The difference is larger when comparing only the internal active holdings. This large part of internal active management of fixed income by AOs is reported by the larger pension funds and insurance companies. Smaller AOs more often outsource the management of their fixed income. The other asset classes are externalised more. The only exception is non-listed real estate, of which 61% is managed in-house.

The main asset classes that IMs tend to externalise are private equity and hedge funds (44% and 40%). The other asset classes are more than 88% managed in-house.

Figure 34:
Division of AUM by internal, external, active and passive; by asset class



Appendix 1:
About the Reporting and Assessment process and the survey findings

The Reporting and Assessment process is one of the most important activities of the PRI Initiative.

Each year all asset owner and investment manager signatories receive an emailed invitation to participate in an annual online survey that asks for details on how they are putting the six Principles into practice. The responses to this survey are brought together to produce this 'Report on Progress'.

The survey is self-reported and no independent third party has provided an assurance or audit of the responses. The PRI Secretariat however does perform an annual verification across 30% of participants. This involves a one-hour call that, among other objectives, has the purpose of identifying inconsistencies.

As well as publishing the aggregated results in this report the PRI Secretariat also sends respondents an individual feedback report which highlights for each of the Principles their relative score compared to different sets of peer groups. These are confidential reports that signatories can use to review their internal strengths and weaknesses on responsible investment and find guidance for improvement.

The process also provides signatories with an easy way to report on their responsible investment practices, thereby fulfilling Principle 6.

The PRI is a voluntary and aspirational framework, however participation in this survey (after an optional one year grace period for new signatories) is a mandatory requirement for investor signatories. Professional service provider signatories do not complete the survey.

The Reporting and Assessment process was designed to recognise the diversity of PRI signatories in terms of asset allocation, the mix between internal and external investment management, and passive and active management approaches. Where signatories were asked to choose from possible answers (large extent, medium extent, small extent), guidance was provided regarding the interpretation of those responses. Nevertheless, with such diversity of practice and experience, it is inevitable that differences in interpretation of questions and answers remain in the data. Points to bear in mind when interpreting the findings include the following:

- The percentages presented in most charts are based on the number of applicable responses received to each question and consequently may not reflect the overall views or practices of all respondents to the survey (for example, questions relating to a particular asset class would apply only to those signatories that invest in that asset class);
- Percentages may not add up to 100%, due to rounding;
- For clarity, 'Not applicable' and/or missing responses have been excluded from many charts;
- While the PRI Initiative is focused on the mainstreaming of responsible investment, many signatories have multiple operations and some have multiple funds that may apply different strategies and implementation processes. Overall results may be influenced by the way in which these signatories reported PRI implementation across varying parts of their businesses;
- Unless otherwise stated, responses for this survey reflect activities from 1 January 2010 to 31 December 2010;
- The 'Principles in action' and guidance boxes presented within this report were identified primarily through analysis of signatory responses and/or signatory verifications. Each example has been approved for use by the relevant signatory organisation. While we believe these examples to be relevant and legitimate, the PRI Secretariat assumes no legal responsibility for the validity of these statements;
- The terms 'signatories' and 'investors have been used in many places in this report to refer to those signatories that responded to the questionnaire. In places, as noted, sub-sets of the participating signatory group are also referred to;
- Figures from last year's Report on Progress have been modified and restated wherever signatories or other sources provided adjusted or improved information.

> **More information:**
www.unpri.org/reporting

Acknowledgements

The Principle authors for this report were the Reporting and Assessment team within the PRI Secretariat. The report was developed by a team under the direction of Lorenzo Sáa, Head of Reporting and Assessment, and managed by Titia Sjenitzer, Reporting and Assessment Manager. Hitender Gujral and Kristofer Dreiman conducted research and editing on earlier drafts of the report.

The report also benefited from advice and specific inputs from Arleta Majoch and Andreas Hoepner of University of St Andrews, also Elliot Frankal and Bruce Millar of ESG Communications.

This report, and the PRI Reporting and Assessment process as a whole, are only possible thanks to the hard work of the PRI Assessment Working Group. They are Francois Meloche, Comité syndical national de retraite Bâtirente; Nada Villermanin Lecolier, Fonds de réserve pour les retraites (FRR); Julie Gorte, Pax World; Tim van der Weide, PGGM Investments; Peter Lunt, VicSuper; Eric Borremans, BNP Paribas Asset Management; Lashae Howell, California Public Employees' Retirement System (CalPERS); Bruce Kahn, Deutsche Asset Management.

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Many thanks to all others that have helped throughout the process but are not named here.

> If you have any questions or comments please direct them to
assessment@unpri.org

Appendix 2:

List of all signatories that participated in this year's survey as of 15th August 2011

This list does not present the participants to the survey that have been delisted at the time of compiling the list.

Asset Owners

Organisation Name	Country
Accident Compensation Corporation	New Zealand
Achmea	Netherlands
AFL-CIO Reserve Fund	USA
AMF	Sweden
AP1	Sweden
AP2	Sweden
AP3	Sweden
AP4	Sweden
AP7	Sweden
Aprionis	France
ARIA	Australia
ASB Community Trust	New Zealand
ATP - The Danish Labour Market Supplementary Pension	Denmark
Australian Capital Territory	Australia
Australian Catholic Superannuation and Retirement Fund	Australia
Australian Government Employees Superannuation Trust (AGEST Super)	Australia
AustralianSuper	Australia
Banesprev	Brazil
BanSabadell 25 F.P	Spain
BBC Pension Trust Limited	UK
BBVA Fondo de Empleo	Spain
BP Pension Fund	UK
Bpf AVH	Netherlands
BPF Schilders	Netherlands
British Columbia Municipal Pension Plan	Canada
BT Pension Scheme	UK
Caisse de dépôt et placement du Québec	Canada
Caisse des dépôts et consignations - CDC	France
California Public Employees' Retirement System CalPERS	USA
California State Teachers' Retirement System CalSTRS	USA
Canada Pension Plan Investment Board	Canada
CARE Super	Australia
Caser Pensiones Entidad Gestora de Pensiones, S.A.	Spain
Catholic Superannuation Fund	Australia
CBUS Superannuation Fund	Australia
CDC Group plc	UK
Celpos	Brazil
CENTRUS- Fundação Banco Central de Previdência Privada	Brazil
CFDT	France
Christian Super	Australia
Church of Sweden	Sweden
CIA (Caisse de Prevoyance du Canton de Geneve)	Switzerland
Comité syndical national de retraite Bâtirente	Canada
CommInsure	Australia
Connecticut Retirement Plans and Trust Funds (CRPTF)	USA
Crédit Agricole Assurances	France
Danish Pension Fund for Engineers	Denmark
Danske Bank	Denmark
Dexia Insurance Services	Belgium
Earthquake Commission	New Zealand
Economus	Brazil
Environment Agency Pension Fund	UK
Eskom Pension and Provident Fund	South Africa
ESSSuper	Australia
Etablissement du Régime Additionnel de la Fonction Publique - ERAFP	France
FAELBA - Fundação COELBA de Previdência Complementar	Brazil
FASERN	Brazil
First State Superannuation Scheme	Australia
Folksam	Sweden
Fondo de Pensiones Cajasol Empleados	Spain
Fonds de réserve pour les retraites - FRR	France
Forluz	Brazil
Fuji Pension Fund	Japan
Funcef	Brazil
Futurcaval, F.P.	Spain
General Board of Pension and Health Benefits United Methodist Church	USA
Global Crop Diversity Trust	Italy
Goldman Sachs JBWere Staff Superannuation Fund	Australia
Government Employees Pension Fund of South Africa	South Africa
Government Pension Fund of Thailand	Thailand
Government Superannuation Fund Authority	New Zealand
Health Super	Australia
HESTA Super Fund	Australia
HOSTPLUS	Australia
HYY Group	Finland
IAG & NRMA Superannuation pty Limited	Australia
Illinois State Board of Investments	USA
Ilmarinen Mutual Pension Insurance Company	Finland
Industriens Pensionsforsikring A/S	Denmark
Infraprev	Brazil
Insurance Australia Group (IAG)	Australia
ISP	Denmark
Joseph Rowntree Charitable Trust	UK
Kehati - The Indonesian Biodiversity Foundation	Indonesia
Keva	Finland
KfW Bankengruppe	Germany
Kikkoman Corporation Pension Scheme	Japan
KLP	Norway
Korea National Pension Service (NPS)	South Korea

Organisation Name	Country
Lægernes Pensionskasse	Denmark
Landesbank Baden-Württemberg (LBBW)	Germany
LD Pensions	Denmark
Lifeyrissjodur Verzlunarmanna (Pension Fund of Commerce)	Iceland
Local Government Superannuation Scheme	Australia
Local Super	Australia
London Borough of Haringey Pensions Committee	UK
London Pensions Fund Authority (LPFA)	UK
Los Angeles County Employees Retirement Association (LACERA)	USA
Lothian Pension Fund	UK
LSR	Iceland
LUCRF Super	Australia
MAIF	France
Maryland State Retirement and Pension System	USA
Media Super	Australia
Merseyside Pension Fund	UK
Midat Cyclops FP	Spain
Middletown Works Hourly and Salaried Union Retirees Health Care Fund	USA
Mistra	Sweden
Mode Interieur Tapijt & Textiel (MITT)	Netherlands
Multi-Employer Property Trust/MEPT Edgemoor	USA
Munich Reinsurance AG	Germany
Mutual Insurance Company Pension Fennia	Finland
Nathan Cummings Foundation	USA
National Pensions Reserve Fund of Ireland	Ireland
New York City Employees Retirement System	USA
New York State Local Retirement System	USA
New Zealand Fire Service Superannuation Scheme	New Zealand
New Zealand Superannuation Fund	New Zealand
Non-government Schools Superannuation Fund	Australia
North East Scotland Pension Fund	UK
Northern Ireland Local Government Officers' Superannuation Committee	UK
Norwegian Ministry of Finance on behalf of the Norwegian Government Pension Fund Global	Norway
Norwegian Ministry of Finance on behalf of the Norwegian Government Pension Fund Norway	Norway
Omega Overseas Investment Corporation	Puerto Rico
OPSEU Pension Trust	Canada
Otago Community Trust	New Zealand
Pen-Sam Liv forsikringsaktieselskab	Denmark
Pensioenfonds Metaal en Techniek	Netherlands
Pensioenfonds PNO Media	Netherlands
Pensioenfonds Predikanten	Netherlands
Pensioenfonds Vervoer	Netherlands
Pension Fund of Zürcher Kantonalbank	Switzerland
Pension Protection Fund	UK
PensionDanmark	Denmark

Organisation Name	Country
Pensionfund Metalektro (PME)	Netherlands
Pensions Caixa 30 FP	Spain
Petros	Brazil
PFA Pension	Denmark
PKA	Denmark
Plan de Pensiones Iberdrola	Spain
PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil	Brazil
Public Service Alliance of Canada (PSAC) Pension Fund	Canada
Rabobank Pensioenfonds	Netherlands
Real Grandeza	Brazil
Régime de Retraite de l'Université de Montréal	Canada
Régime de retraite de l'Université du Québec	Canada
Royal Mail Pension Plan	UK
Sameinadi lifeyrissjodurinn (United Pension Fund)	Iceland
SAMPENSION	Denmark
SEIU Pension Plans Master Trust	USA
Shell Contributory Pension Fund	UK
SISTEL	Brazil
Société d'assurance-vie inc. (SSQ)	Canada
Sompo Japan Insurance Inc.	Japan
SPOV	Netherlands
State Universities Retirement System of Illinois	USA
StatewideSuper	Australia
Stichting Beroepspensioenfonds voor Zelfstandige Kunstenaars AENA	Netherlands
Stichting Ondernemingspensioenfonds Mn Services (Opf)	Netherlands
Stichting Pensioenfonds ABP	Netherlands
Stichting Pensioenfonds ING	Netherlands
Stichting Pensioenfonds Zorg en Welzijn	Netherlands
Stichting Philips Pensioenfonds	Netherlands
Stichting Shell Pensioenfonds	Netherlands
Stichting Spoorwegpensioenfonds	Netherlands
Storebrand	Norway
Strathclyde Pension Fund	UK
Svenska Lärarfonder Aktiebolag	Sweden
Swedish Pensions Agency	Sweden
Swiss Reinsurance Company	Switzerland
Taiyo Life Insurance Company	Japan
Tapiola Mutual Pension Insurance Company	Finland
Tasplan	Australia
Teachers' Retirement System of the City of New York	USA
Telstra Super Pty Ltd	Australia
The Central Church Fund of Finland	Finland
The Forest Company	UK
The LankellyChase Foundation	UK
The Pensions Trust	UK
Toronto Atmospheric Fund	Canada
Tradeka Corporation	Finland

Organisation Name	Country
Trust Waikato	New Zealand
TrygVesta A/S	Denmark
TWUSUPER	Australia
Unipension	Denmark
UNISON Staff Pension Scheme	UK
UniSuper Management Pty Limited	Australia
United Church Foundation	USA
United Nations Joint Staff Pension Fund	USA
Universal Health Care Foundation of Connecticut	USA
Universities Superannuation Scheme - USS	UK
Vaekstfonden	Denmark
Valia	Brazil
VBV- Vorsorgekasse AG	Austria
VicSuper	Australia
Victorian Funds Management Corporation	Australia
VidaCaixa	Spain
Vision Super	Australia
Zürcher Kantonalbank	Switzerland

Investment Managers

Organisation Name	Country
21 Partners	France
27Four Investment Managers	South Africa
Aberdeen Asset Management	Singapore
Abraaj Capital	UAE
Acadian Asset Management	USA
Access Bank PLC	Nigeria
Access Capital Partners	France
Actera Group	Turkey
Actis	UK
ADM Capital	Hong Kong
Advanced Investment Partners	USA
Advantage Asset Managers (Pty) Limited	South Africa
AEGON Asset Management (UK)	UK
AEW Europe	France
Aktia Bank p.l.c.	Finland
Ålandsbanken	Finland
Alberta Investment Management Corporation	Canada
Albright Capital Management	USA
Alcyone Finance	France
Alleron Investment Management	Australia
Allianz Global Investors Korea Limited	South Korea
AllianzGI Investments Europe	France
AlphaFixe Capital Inc.	Canada
AlpInvest Partners B.V.	Netherlands
Alquity Investment Management Limited	UK
Amalgamated Bank	USA
AMP Capital Investors	Australia
Amundi Asset Management	France
Anacacia Capital	Australia
Anpha Capital Management Joint Stock Company	Vietnam
Antin Infrastructure Partners	France
APG Asset Management	Netherlands
Arcano Group	Spain
Arisaig Partners (Asia) Pte Ltd	Singapore
Ark Investment Advisors Inc.	South Korea
Arkx Investment Management	Australia
ASN Bank	Netherlands
Astra Investimentos	Brazil
ATI Asset Management Pty Ltd	Australia
Auriel Capital Management	UK
Australian Ethical Investment Ltd.	Australia
Aviva Investors	UK
AXA Investment Managers	France
AXA Private Equity	France
Baillie Gifford	UK
BaltCap	Estonia
Bamboo Finance	Switzerland
Bank Sarasin & Co. Ltd	Switzerland
BankInvest	Denmark
BB DVTM	Brazil
BC Partners	UK
Bedlam Asset Management plc	UK
Bennelong Funds Management Limited	Australia
Bentall Kennedy	USA
BlackRock	USA
Blue Wolf Capital Management	USA
BlueOrchard	Switzerland
BNG Vermogensbeheer	Netherlands
BNP Paribas Asset Management	France
Boston Common Asset Management	USA
Boston Trust & Investment Management Company	USA
BPE Fund Investors	Germany
Bridges Ventures	UK
British Columbia Investment Management Corporation	Canada
BT Financial Group	Australia
Cadiz Holdings South	Africa
Calvert Investments	USA
Cantillon Capital Management	UK

Organisation Name	Country
Capital Dynamics	Switzerland
Capital Innovations	USA
Capricorn Investment Group, LLC	USA
Cartica Capital	USA
Catella Fondförvaltning AB	Sweden
Cazenove Capital Management	UK
CBRE Investors	USA
CDC Entreprises	France
Celeste Funds Management Limited	Australia
CHAMP Private Equity	Australia
Charter Hall Group	Australia
Cinven	UK
Citizen Capital	France
Citola Capital Partners	UK
ClearBridge Advisors	USA
Colonial First State Global Asset Management (including First State Investments)	Australia
Comgest	France
Cordiant	Canada
Coronation Fund Managers	South Africa
Corston-Smith Asset Management	Malaysia
Credit Agricole Private Equity	France
Cyrte Investments	Netherlands
Daiwa Asset Management Co. Ltd	Japan
Dalton Nicol Reid	Australia
de Pury Pictet Turrettini & Cie	Switzerland
Delta Lloyd Asset Management	Switzerland
Deutsche Asset Management	Germany
Developing World Markets	USA
Devon Funds Management	New Zealand
Dexia Asset Management	France
DEXUS Property Group	Australia
DGF Investimentos	Brazil
Direct Capital Limited	New Zealand
Disciplined Growth Investors	USA
DnB NOR Group (Vital Forsikring ASA, DnB NOR Asset Management, Carlson Investment Management)	Sweden
DNZ Property Fund Limited	New Zealand
Domini Social Investments	USA
Doughty Hanson & Co	UK
Drapac	Australia
Earth Capital Partners LLP	UK
Earth Investment Group	Hong Kong
Ecofi Investissements	France
Edmond de Rothschild Asset Management	France
EG Funds Management	Australia
Element Investment Managers South	Africa
Environmental Investment Services Asia (EISAL)	Hong Kong
Epworth Investment Management	UK

Organisation Name	Country
EQT	UK
ERSTE-SPARINVEST KAG	Austria
Ethos Foundation	Switzerland
Etica SGR	Italy
Eureka Funds Management	Australia
EVI Capital Partners	South Africa
Evli Bank Plc	Finland
F&C Asset Management	UK
Federal Finance	France
Fédéris Gestion d'Actifs	France
Fiera Sceptre Inc	Canada
FIM Asset Management	Finland
Finance in Motion GmbH	Germany
Financière de Champlain	France
Financière de l'Echiquier	France
FIR Capital Partners	Brazil
First Affirmative Financial Network, LLC	USA
First Reserve	USA
Five Oceans Asset Management	Australia
Fondita Fund Management Company Ltd	Finland
Fonds Desjardins	Canada
FourWinds Capital Management	UK
Futuregrowth Asset Management	South Africa
Gaineswood Investment Management, Inc	USA
Generation Investment Management LLP	UK
Genesis Asset Managers	UK
Gestión de Previsión y Pensiones E.G.F.P	Spain
Gimar Capital Investissement	France
Global Fund Exchange Holdings LLC	USA
Global Value Investors Limited (GVI)	Australia
Goldman Sachs Asset Management & Partners Australia	Australia
Governance for Owners	UK
Greencape Capital	Australia
GreenStream Network plc	Finland
Groupama Asset Management	France
Hamilton Lane	USA
Handelsbanken Asset Management	Sweden
Harbour Asset Management	New Zealand
Harcourt Investment Consulting	Sweden
Hastings Fund Management Limited	Australia
Hauck & Aufhäuser (Schweiz) AG	Austria
Henderson Global Investors	UK
Hermes Fund Managers Limited	UK
Herschel Asset Management	Australia
Highland Good Steward Management	USA
Holland Private Equity B.V.	Netherlands
HSBC Group Investment Businesses Limited	UK
Hunter Hall Investment Management Limited	Australia

Organisation Name	Country
Hyperion Asset Management Limited	Australia
ICE Canyon LLC	USA
IDFC	India
Impax Asset Management	UK
Industry Funds Management	Australia
ING Investment Management	Netherlands
Insight Investment	UK
Investa Property Group	Australia
Investec Asset Management	South Africa
Investindustrial	UK
Investment Solutions	South Africa
Investors Mutual Limited (IML)	Australia
IPM Informed Portfolio Management AB	Sweden
Iris Capital	France
Ironbridge Capital	Australia
ISPT Super Property	Australia
Itaú Asset Management	Brazil
JCP Investment Partners	Australia
JPMorgan Asset Management	USA
Jupiter Asset Management	UK
Kagiso Asset Management	South Africa
Kaiser Ritter Partner Privatbank AG	Liechtenstein
Kempen Capital Management NV	Netherlands
Kendall Court Capital Partners Ltd	Singapore
Kinetic	Australia
Kohlberg Kravis Roberts & Co, LLP	USA
Krull & Company	USA
La Banque Postale Asset Management (LBPAM)	France
La Financière Responsable	France
LaSalle Investment Management	UK
Legal & General Investment Management Limited	UK
Legg Mason Asset Management Australia Limited	Australia
Lend Lease Investment Management	Australia
LGT Capital Partners	Switzerland
Light Green Advisors	USA
Limestone Investment Management	Estonia
Living Planet Fund Company	Switzerland
Lloyd George Management	UK
Lombard Odier Darier Hentsch & Cie	Switzerland
Loring, Wolcott & Coolidge Office	USA
LRV Investments	Netherlands
Maple-Brown Abbott Limited	Australia
Marc J Lane Investment Management Inc.	USA
Martin Currie Investment Management	UK
Matrix Asset Management Inc.	Canada
Mauá Investimentos Ltda	Brazil
Mazi Visio Manco Pty Ltd	South Africa
Meeschaert Gestion Privée	France

Organisation Name	Country
Mercapital	Spain
Mergence Investment Managers	South Africa
METROPOLE Gestion	France
MFS Investment Management	USA
Miller Howard Investments	USA
Minlam Asset Management LLC	USA
Mirae Asset Investment Management Co., Ltd	South Korea
Mirzam Asset Management LLC	USA
Mitsubishi UFJ Trust and Banking Corporation	Japan
Mitsui Asset Trust and Banking Co., Ltd. (MATB)	Japan
Mizuho Trust & Banking Co., Ltd	Japan
Mn Services N.V.	Netherlands
Montanaro	UK
Munros Capital Management LLP	UK
Natcan Investment Management	Canada
Natixis Asset Management	France
NEI Investments	Canada
Nelson Capital Management	USA
New Amsterdam Partners	USA
New Forests Pty Limited	Australia
Newton Investment Management	UK
NH-CA Asset Management Co.	South Korea
Nikko Asset Management Co. Ltd.	Japan
Nissay Asset Management Corporation	Japan
Nordea	Sweden
Northern Trust Global Investments	USA
Northward Capital	Australia
NSG Capital	Brazil
Nykredit Realkredit Group	Denmark
Oasis Group Holdings	South Africa
OFI Asset Management	France
OFI Private Equity	France
OP Fund Management Company Ltd	Finland
Orchid Asia Hong Kong Management Company Limited	Hong Kong
Panoramic Growth Equity	UK
Pantheon Ventures	UK
Parnassus Investments	USA
Partech International	France
Partners Group	Switzerland
Pax World	USA
PCG Asset Management	USA
Perennial Investment Partners Limited	Australia
Perpetual Investments	Australia
PGGM Investments	Netherlands
PHITRUST Active Investors	France
Pictet Asset Management	Switzerland
Pioneer Capital Partners New	Zealand
Pioneer Global Asset Management S.p.A	Italy

Organisation Name	**Country**
Pluris Sustainable Investments SA	Switzerland
Pohjola Asset Management	Finland
Prescient Investment Management	South Africa
Presima	Canada
Progressive Asset Management	USA
Prosperis Sustainable Wealth Management	Switzerland
Prudential Portfolio Managers	South Africa
Prudential Real Estate Investors	USA
PRUPIM	UK
Public Investment Corporation (PIC)	South Africa
QIC	Australia
Qualium Investissement	France
Quotient Investors	USA
Rabo FARM	Netherlands
RARE Infrastructure Limited	Australia
Rathbone Brothers Plc	UK
RCM	UK
Regal Funds Management	Australia
Relational Investors LLC	USA
Resolution Capital Limited	Australia
Resona Bank Limited	Japan
responsAbility Social Investments AG	Switzerland
RMB Asset Management	South Africa
Robeco	Netherlands
Roche-Brune Asset Management	France
Royal Bafokeng Holdings (Pty) Ltd	South Africa
Royal London Asset Management	UK
Russell Investments	USA
SAM Sustainable Asset Management AG	Switzerland
Sanlam Investment Management (SIM)	South Africa
Santa Fé Portfolios Ltda	Brazil
Santander Brasil Asset Management	Brazil
Satori Capital, L.L.C.	USA
Schroders	UK
Scottish Widows Investment Partnership Ltd.	UK
Skandinaviska Enskilda Banken (SEB) AB	Sweden
SNS Asset Management	Netherlands
Solaris Investment Management Limited	Australia
Sparinvest Group	Denmark
SPF Beheer	Netherlands
Squadron Capital	Hong Kong
Standard Life Investments	UK
STANLIB Asset Management Ltd South	Africa
Stockland	Australia
Stratus	Brazil
Sul América Investimentos DTVM S.A	Brazil
Sumitomo Mitsui Asset Management (SMAM)	Japan

Organisation Name	**Country**
Sumitomo Trust	Japan
Sustainable Capital Ltd	Mauritius
Swedbank Robur	Sweden
Swisscanto	Switzerland
Sycomore Asset Management	France
Syntrus Achmea Asset Management	Netherlands
T. Rowe Price	USA
Taaleritehdas	Finland
TAAM Asia Pacific Investments	Australia
Tapiola Asset Management Ltd	Finland
Tapiola Real Estate Ltd	Finland
TD Asset Management (TD Asset Management Inc. and TDAM USA Inc.)	Canada
The Co-operative Asset Management	UK
The GPT Group	Australia
The Oblate International Pastoral Investment Trust	USA
Threadneedle Asset Management Ltd	UK
TIAA - CREF	USA
TLG Capital	UK
TOBAM	France
Totem Investimentos	Brazil
Tower Capital Asset Management, LP	USA
Trillium Asset Management	USA
Triodos Investment Management B.V.	Netherlands
Turner Investment Partners	USA
Tyndall Equities Australia Limited	Australia
UBS Global Asset Management	UK
UCA Funds Management	Australia
UI Gestion	France
Union Asset Management Holding AG	Germany
University of Dayton Davis Center for Portfolio Management's Flyer Investments	USA
Van Lanschot Bankiers	Netherlands
Vancity Investment Management	Canada
VietNam Holding Limited	Switzerland
Viveris REIM	France
VOGA	Brazil
Vontobel Group	Switzerland
Wallara Asset Management Pty Ltd	Australia
Westmount Pacific LLC	Thailand
Winslow Management Company	USA
Zegora Investment Management Ltd.	Switzerland
Zurich Financial Services Australia Ltd	Australia

Appendix 3:
List of case studies

Appendix 4:
List of figures and tables

Figures

Tables

Principles
for Responsible
Investment

PRI

OUR UN PARTNERS

UN Global Compact

Launched in 2000, the UN Global Compact brings business together with UN agencies, labour, civil society and governments to advance ten universal principles in the areas of human rights, labour, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these ten principles in business activities around the world and to catalyze actions in support of broader UN goals. With over 8,000 corporate participants and stakeholders from over 140 countries, it is the world's largest voluntary corporate sustainability initiative.

More information: www.unglobalcompact.org

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique global partnership between UNEP and the private financial sector that works closely with approximately 200 financial institutions to develop and promote linkages between sustainability and financial performance. Through regional activities, a comprehensive work programme, training and research, UNEP FI carries out its mission to identify, promote and realize the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

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UNEP Finance Initiative
Innovative financing for sustainability

United Nations Global Compact

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